

SECOND AND THIRD COMMITTEES  
JOINT SUB-COMMITTEE OF COMMITTEES II AND III  
TARIFF PREFERENCES

The proposals and amendments referred to the Sub-Committee by Committees II and III are contained in the following documents:

1. Proposals on Article 15 in the Revised Annotated Agenda for Committee II, E/CONF.2/C.2/9.
2. The proposals on Article 16 in the Revised Annotated Agenda for Committee III (Section A of Chapter IV), E/CONF.2/C.3/6, and in E/CONF.2/C.3/6/Add.1.
3. The proposals on Article 42 in the Revised Annotated Agenda for Committee III (Section F of Chapter IV), E/CONF.2/C.3/11.

The items in the following Agenda do not appear in the same order as in the Annotated Agendas; they have been rearranged for convenience in discussion, the new arrangement being based on the context of the proposals and the supporting statements. Four of the proposals were supported by statements which were not reproduced in the Annotated Agendas, namely: Afghanistan and seven other Delegations (C.3/1/Add.28), Burma (C.3/1/Add.47), El Salvador (11/Add.10) and Guatemala (C.3/1/Add.31).

AGENDA

I. REASONS AND JUSTIFICATION FOR NEW PREFERENTIAL SYSTEMS

(a) "Adjacent Countries"

1. The Delegation of Argentina proposes (11/Add.3) the deletion of the reference to "frontier traffic" in paragraph 2 (a) of Article 42, thus leaving "advantages accorded by any Member to adjacent countries" as exceptions to Chapter IV.
2. The Delegation of Colombia proposes (C.3/1/Add.10) that Colombia, Ecuador and Venezuela be treated as "neighbouring countries" by an Annex under paragraph 2 (d) of Article 16.
3. The Delegation of Costa Rica proposes (11/Add.16) that Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua be treated as "neighbouring countries" by an Annex under paragraph 2 (d) of Article 16.

/(b) "Same Economic"

(b) "Same Economic Region"

4. The Delegations of Afghanistan, Egypt, Greece, Iran, Iraq, Lebanon, Syria and Turkey propose (C.3/1/Add.28) that "such preferences as may be put into force between the countries of the Near and Middle East", including Transjordan, should be exempted from the provisions of paragraph 1 of Article 16.
5. The Delegations of Lebanon and Syria propose (11/Add.14) that the provisions of paragraph 1 of Article 16 should not prevent "the conclusion of regional preferential tariff agreements designed to develop production in, and promote trade between, Members belonging to the same economic region".
6. The Delegation of Burma proposes (C.3/1/Add.47) that the provisions of paragraph 1 of Article 16 should not apply to "such preferences as may be put into force, or such regional arrangements as may be made, among the countries of South East Asia".
7. The Delegation of El Salvador proposes (11/Add.10) that the provisions of paragraph 1 of Article 16 should not apply to "such bilateral or multilateral preferences as are now in force between the countries of Central America, including Panama, or may be granted in the future".

(c) "Complementary Economies"

8. The Delegation of Argentina proposes (11/Add.3) that the provisions of paragraph 1 of Article 16 should not apply to "any advantage, favour, privilege or immunity granted by a Member to any product originating in or destined for another Member country, provided that the Members concerned form a group of complementary economies co-operating on a compensatory basis and on a basis of equality". Further, the Delegation of Argentina proposes (11/Add.3) the addition of a new sub-paragraph to paragraph 2 of Article 42 to exempt from the provisions of Chapter IV "a group of complementary economies co-operating on a compensatory basis and on the basis of equality of treatment".

(d) "Historical, Cultural and Economic Ties"

9. The Delegation of Turkey proposes (11/Add.25) that the provisions of paragraph 1 of Article 16 should not apply to "such reciprocal preferences between countries formerly part of the Ottoman Empire and detached from it on 24 July 1923 as are set forth in treaties concluded by Turkey".
10. The Delegation of Egypt proposes (C.3/1/Add.50) that the exceptions under paragraph 2 of Article 16 should be extended

/to include

to include "preferences contemplated under agreement between Members of the Arab League".

11. The Delegation of Iraq proposes (C.3/1/Add.46) that a new paragraph be added to Article 42 exempting from the provisions of the Charter special arrangements with respect to economic relations between Members of the Arab League.
12. The Delegations of Bolivia (C.3/1/Add.33), Ecuador (C.3/1/Add.1) and Guatemala (C.3/1/Add.31) propose that the exceptions to m.f.n. treatment under paragraph 2 of Article 16 be extended to include preferential tariff systems which may be negotiated among Latin American countries.

(e) "Economic Development"

(i) Removal of Prior Approval

13. The Delegations of Argentina (11/Add.3), Chile (C.2/6/Add.4) and Venezuela (C.2/6/Add.18) propose the deletion of the second sentence in the first paragraph of Article 15 so as to remove the control of the Organization over the use of preferential arrangements for development purposes. With the same intent, the Delegation of Argentina would delete the second and third sentences of paragraph 2, while the Delegation of Chile would substitute "This statement shall be communicated by the Organization to all Members." The Delegation of Venezuela would rewrite paragraph 2 so as not to require the submission of a written statement to the Organization until after the preferential arrangement had been concluded; this statement would then be transmitted to other Members and any Member which considered that its trade was substantially damaged could communicate its views to the Organization and the procedure set forth in Article 13 would then apply.
14. The Delegation of Chile (C.2/6/Add.4) proposes to insert a new paragraph after paragraph 1 of Article 15 exempting from the provisions of paragraph 1 of Article 16 "preferences enforced between adjacent countries whose economic or industrial development is inadequate or backward....in order to apply industrial processes which are of special and reciprocal interest to them and to provide them with a sound and adequate basic market".

(ii) Voting on Prior Approval

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15. The Delegation of Ecuador would substitute (C.2/6/Add.21) a simple majority for the two-thirds affirmative vote required by paragraph 1 of Article 15.
  16. At Geneva, the Delegation of Brazil entered a reservation on Article 15 (Geneva Report, page 16) pending a decision on the question of voting requirements.
- (f) Formation of a "Free Trade Area"
17. The Delegations of Lebanon and Syria propose (11/Add.14) the addition of a new sub-paragraph in paragraph 2 of Article 42 exempting from the provisions of Chapter IV "the formation of a free trade area by the conclusion of a free trade agreement involving the substantial elimination of tariffs and other restrictive regulations of commerce between Members belonging to the same economic region."

II. TEMPORARY PREFERENCES FOR FIVE YEARS FOLLOWED BY A CUSTOMS UNION OR ELIMINATION BY NEGOTIATION

18. The Delegation of Czechoslovakia proposes (C.3/6/Add.1) the addition of a new paragraph to Article 16 exempting from the provisions of paragraph 1 "new preferential arrangements concluded between two or more countries belonging to the same economic region and designed to promote production or reconstruction in those countries", provided that within five years the parties to the arrangements shall either decide to form a customs union or begin to reduce and finally eliminate the preferences in accordance with Article 17.

III. PREFERENCES BETWEEN THE UNITED STATES AND CUBA

19. The Delegation of Peru proposes (11/Add.22) the deletion of sub-paragraph (c) of paragraph 2 of Article 16. The same proposal is made by the Delegation of Dominican Republic (C.3/1/Add.32) which gives as an alternative the extension of this sub-paragraph to provide that the preferences granted by the United States to Cuba should be enjoyed also by the Dominican Republic. The Delegation of Haiti proposes (C.3/1/Add.29) that this sub-paragraph be extended to cover all preferences among countries in the Caribbean area.

IV. TERRITORIES CONNECTED BY COMMON SOVEREIGNTY

20. The Delegation of Portugal (C.3/1/Add.55) proposes a new Annex under paragraph 2 (b) of Article 16 to exempt from m.f.n. treatment the preferences in force exclusively among Portugese territories.

/V. SPECIAL

V. SPECIAL REGIMES

21. The Delegation of Italy proposes (11/Add.18) to exempt from the provisions of paragraph 1 of Article 16 the special regime existing between the Republic of Italy and the Republic of San Marino and the State of the Vatican City, and the special regime which may be established between Italy and the Free Territory of Trieste.

VI. DRAFTING AMENDMENTS

22. The Delegation of Chile proposes (C.3/1/Add.6) that the words "with the exception of the arrangements contemplated in Article 15" be added to paragraph 1 of Article 16.
23. The Delegation of the United Kingdom proposes (11/Add.8) an amendment intended to elucidate a point of substance, namely, that the word "by" where it first occurs in the first proviso in paragraph 2 (b) of Article 42, be replaced by the words "at the institution of".

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