

because it was felt that it would give the United States too much bargaining power in the negotiations for commodity agreements. At Geneva the Canadian Delegation succeeded, in the face of United States opposition, in making this exception subject to the prior approval of the Organization. Now it was the turn of the United States to enter a reservation. In this they were inconsistent since they had been insisting on prior approval in the case of exceptional measures for purposes of economic development. They felt, however, that in the case of export subsidies the prior approval of the Organization would never be granted and that, as the Subsidy Section of the Charter provided for stabilisation schemes equivalent to export subsidies and for general production subsidies that tended to increase or to maintain exports, they could not defend at home the prohibition of the only price support action the United States could take in the event of a burdensome surplus. Thus it was that the whole issue had to be fought out again at Havana. The result was a compromise whereby all forms of subsidization were to be subject to review by the Organization and in the event of any such subsidization acquiring for a Member more than an equitable share of world trade in the commodity concerned, the Organization can require the Member to alter its subsidy.

39. This was the general situation in the Conference, when, early in February, the Latin-American bloc proposed the setting-up of a Coordination Committee to resolve the outstanding difficulties. This proposal, submitted in the form of a resolution signed by nearly all the Latin-American delegations, was discussed in a formal meeting of Heads of Delegations. It was obvious that the main idea behind this proposal was to have an opportunity for "horse trading", whereby the Latin-American countries would obtain some of their pet objectives in return for some concessions on their part to the numerically weaker, but much stronger economically, group of important trading nations. It was felt, however, that it would be poor tactics to refuse the request of the Latin-American countries. The proposal did offer the only hope of breaking the deadlock and terminating the Conference within a reasonable period of time. Accordingly, the Coordination Committee was set up and deliberated for three weeks. As a result of these deliberations there emerged the final compromise which made possible agreement on a Charter.

40. The most important part of this compromise related to the highly controversial question of the use of quantitative restrictions and other protective devices for purposes of economic development (Article 13). The principle of prior approval of the Organization was retained, but in four carefully defined cases the prior approval would be automatic in that it would have to be granted if the criteria were met. Of these four cases, however, only two were really automatic. These two commenced with the words "is designed", which being objective does not permit of much discretion on the part of the Organization. Of the other two cases, one commenced with the words "is necessary" and the other with the words "is unlikely". In both these cases the subjective element is present and a great deal will depend upon how the Organization interprets these particular words. The two cases commencing with the words "is designed" are (1) for the protection of industries established during the war, i.e., the so-called "war babies" and (2) for promoting industries processing a raw material the market for which has become curtailed through new or increased restrictions imposed abroad. In both these cases the automatic prior approval of the Organization will be for a specified period and in any application for renewal the