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At a previous meeting of Committee IIIB, the delegate of the United States gave an interpretation of Article 23 - 1 (b) (ii) which seem to be briefly as follows: Any country having exportable products must give priority to their sale for convertible currencies, and may only enter into the discriminatory arrangements provided for by Article 23 if it is left with a surplus which cannot be sold for convertible currency. In other words any country having gold or convertible foreign exchange would have priority in obtaining the exportable goods of another country.

The French delegation finds this interpretation unacceptable for political, economic and moral reasons.

I. Political reasons

Such an interpretation would in fact lead countries having a non-convertible currency to place all their foreign trade under the control of countries having large reserves of convertible currency or gold. The consequences of such a situation can be illustrated by the following examples:

A. If a country A has a practically unlimited supply of the only currency considered as being convertible and if a country B has very substantial gold reserves.

If the relations between countries A and B are not very cordial and they fear that their relations may subsequently deteriorate even further, they may try to build up stocks - which are usually described as strategic - and will contend with one another in all markets of the world for the commodities and raw materials they consider essential. Now, countries having a non-convertible currency, which we may call countries C, D, E and F, need these commodities. Country C needs the products of country D, and country D those of country F, etc. They will only be able to obtain them against payment in gold or convertible currency, of which they have only a limited amount, and provided also that they offer a more favourable price than countries A and B. This actually means that they will not be able to obtain these products - unless they negotiate directly with countries A and B - which, under /the present hypothesis,

the present hypothesis, leads to appreciable alienation of their political independence.

B. The following example may also be quoted: If country F is prepared to sell essential commodities to country G, and if country B, for example, does not wish country G to have such commodities, it could approach country F as a buyer of all available commodities of this kind, offering to pay for them in gold. And country F could not refuse.

In other words, countries A and B would be able at any time to share between them the monopoly of purchasing and redistributing all the exportable products of countries with a non-convertible currency; this clause would thus simultaneously afford them the opportunity to make unjustified profits and the opportunity to acquire a powerful instrument for political domination.

II. Economic reasons

The interpretation of Article 23 - 1 (b) (ii) given by the delegate of the United States also appears unacceptable for economic reasons. What is the actual situation in the post-war world? We find a large country, powerful and rich, whose efforts and sacrifices ensured victory and whose generosity and understanding have so far prevented the world from sinking into chaos. On the other hand, we find many countries which have been partly or almost totally destroyed and ruined by the war and which, thanks to the support of the United States, have undertaken their reconstruction and the rehabilitation of their economy. Now, it has been recognized that, although the aid of the United States, for example, is necessary for the reconstruction of these countries or the recovery of their stability, such aid cannot be sufficient in itself. If the countries affected by the war could not or would not help one another, the aid they would have to seek from the United States Government would be so extensive as to exceed all the potentialities of even so powerful and rich a country as the United States.

That view has been put forward not by the countries affected by the war but by the Government of the United States itself. It formed the subject of Mr. Marshall's famous speech and was the subject studied by the Conference of sixteen European nations that met at Paris this summer.

How can the countries affected by the war help one another? There are many examples, but I will give only a few: Country F, for example, has timber which countries G, H, I and J urgently need for their reconstruction. Country A, whose currency is convertible, wishes to buy this timber. Country F may believe that if it sells this timber to country A, it will

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be used to make pulp, which will permit the addition of two more pages to the press of country A. If it sells the timber to countries G, H, I and J, it will be used to build houses that will shelter thousands of homeless families and will help to restore social stability and hence also the economic stability of Europe. In these circumstances country F might prefer to sell its timber to countries G, H, I and J, especially if it could also obtain from them in return goods which it needs as much as gold or convertible currency.

To take a further example: Country G has an iron and steel industry, country H has not, and needs steel. In order to meet its steel requirements, it contemplates establishing an iron and steel industry; it will accordingly invest capital, raw materials and labour in an enterprise which in any event will only be profitable much later and will not contribute to its immediate recovery or that of its neighbour. Furthermore, it will have created an artificial industry which, when equilibrium has been restored, will only be able to exist under protection, and because it competes with the industry of country G, will also oblige the latter to protect itself.

It is evident that it would be more profitable for such a country and its neighbours to specialize in the intensive production of goods that their existing resources enable them to produce; but they can only do so if, for instance, country G undertakes, at least throughout the period of reconstruction, to supply country H with the steel it requires. But country G could not give such an undertaking if we agree to adopt the Charter inclusive of Article 23-1(b)(ii); for country A, whose currency is convertible, or country B, which has large gold reserves, could at any time inform country G that they need its steel and that they will buy it. The latter could not refuse and could no longer supply steel to country H. Thus, it appears that in the present circumstances there is a danger that non-discrimination may lead to autarchy, whereas some freedom to discriminate would permit the different countries to specialize in those branches of production for which they are best fitted, and promote the conditions necessary for the restoration of multilateral and balanced trade.

III. Moral Reasons

The interpretation given to Article 23 - 1 (b) (ii) by the delegate of the United States also appears to us to be unacceptable for moral reasons. Under present circumstances, a country may desire to help a neighbouring country which is suffering from a temporary shortage of certain commodities. Between nations as between men, there are good-neighbourly relations and a certain solidarity in their common misfortune. Such feelings are in no way reprehensible. Thus, a country might refuse to sell for convertible currency a product which a neighbouring country urgently needs, and which

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it undertakes to supply to the latter under other financial and economic arrangements. If Article 23 - 1 (b) (ii) forbids it to supply such products to the needy neighbouring country, the latter will only be able to trust to the goodwill of the countries with large resources in gold or convertible currency. It does not appear to us morally right to give the rich countries a monopoly of goodwill and of the spirit of charity and solidarity. As regards these moral considerations, it seems to us that the poor countries might have the same rights as those that are more favoured.

In conclusion, the French delegation recalls that France has signed the General Agreement on Tariffs and that this agreement includes a provision similar to Article 23 - 1 (b) (ii). Our Government signed this agreement because it did not interpret this provision in the same way as the Government of the United States. We have always considered that the particularly careful wording of this text had a general meaning and not a precise and mathematical meaning. We certainly think it normal and necessary to invite countries to make every effort to establish equilibrium in their balance of payments in convertible currency and to avoid the systematic establishment of disequilibrium by bilateral agreements. On the other hand, we cannot admit that absolute priority should be granted in all circumstances to sales effected in convertible currency.

Apart from the political, economic and moral argument against this interpretation, it must be noted that mere logic itself condemns it. Indeed, this provision, if it is so interpreted, constitutes a rule of compulsory discrimination in favour of convertible currencies and is no longer a simple exception to the rule of non-discrimination. Article 23 would thus be drafted in such a way as to permit, in very rare cases and subject to many reservations, discrimination in favour of soft currencies; but on the other hand it would strongly establish the principle of compulsory discrimination in favour of convertible currencies. This is certainly contrary to the spirit of Article 23, and we cannot see why, if discrimination is dangerous and bad in one case, it should necessarily be good in the other.

What is, in fact, bad and dangerous is not discrimination or non-discrimination, but the possible abuse of one or the other. Abuse is not an idea that can be defined in writing; its definition must be left to the judgment of the Organization.

These are the considerations on which is based the amendment submitted today by the French delegation. In this amendment we have simply repeated the Geneva text to which we have added a few words and which we have also considerably shortened. We have added the words: "In normal circumstances" in order to take account of the theory I referred to at the beginning of this statement, according to which a country might, for political or any other

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reasons, wish to acquire a monopoly of the purchase and distribution of certain products. It is for the same reason that we have deleted the end of the Geneva paragraph since the danger we have pointed out lies principally in that sentence.

We have also deleted in the middle of the paragraph the words: "to other members not party to the arrangement." Indeed, it seems to me that the main justification for paragraph (ii) of Article 23-1(b) should be to prevent a State from aggravating the deficit in its balance of payments in gold or in convertible currency through bilateral agreements.

In these circumstances, we do not see why account should not be taken of receipts in convertible foreign exchange or in gold received from exports to countries that are not party to these bilateral agreements. In fact most of the agreements provide for exchanges of products between two countries but they also provide that the balance of such exchanges shall be periodically established, for instance, every three months, every six months, or every year and that at the end of the period in question the balance in favour of one of the countries shall be settled by the other in gold or in convertible currency. We do not see why receipts in gold or in convertible currency received from these periodical settlements should not be taken into account when deciding whether the bilateral agreements contribute or do not contribute to the aggravation of disequilibrium in the balance of payments in gold or convertible currency.

This is the purpose of the French amendment to which the delegation of France attaches very great importance.
