

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

PREPARATORY COMMITTEE
of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report
of the
FOURTH MEETING
of
JOINT COMMITTEE ON INDUSTRIAL DEVELOPMENT

held in
The Hoare Memorial Hall
Church House, Westminster, S.W.1.
on
Monday, 18th November 1946.

at
5 p.m.

CHAIRMAN: MR. H. S. MALIK, C.I.E., C.B.E.(India).

(From the Shorthand Notes of
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1.

THE CHAIRMAN: The Meeting is called to order. Gentlemen, you have had circulated to you the draft Report prepared by the Drafting Sub-committee that was appointed by this Committee. I will now call upon the Rapporteur to present his Report.

THE RAPPORTEUR: Mr Chairman, in presenting the Report of the Drafting Subcommittee to the full Committee I would suggest that as the Report is in three main parts, the first part of which is the Report proper and consists of only $1\frac{1}{2}$ pages of typing, the second part contains a statement of the argument upon which the Committee's decisions were based, and the third part is a statement of the suggested draft Articles, possibly it might be preferable if I started making reference to the note which commences on page 3 and which, as I say, contains the statement of the argument. Before actually getting on to that, however, Mr Chairman, I would like to mention that there are one or two typographical mistakes which need correction. Perhaps I might just draw the attention of the Committee to those. On the very first page of the Report in the first paragraph in line 5 the word "six" should read "seven". At page 5 of the Report, the first line, the word "also" has been omitted and should be inserted between "will" and "be"; so that that sentence commences "on the other hand, there will also be". In paragraph 5, second line, the third word "includes" should be "includes". In the third last line of that paragraph before the word "aim" the word "may" should be inserted, and in the same line the word "as" should read "at"; so that that line would read "obligations, may aim by the use of protective measures at providing". On page 6 paragraph 8 the fifth line the word "when" should be deleted, and in the seventh line the word "balances" should read "balance". In paragraph 11 the second last line on page 8 after the word "general", the word "that" should be inserted. On page 9 paragraph 12 in the second line "the" should be deleted before "domestic". In paragraph 14 the word "developments" should read "development". At page 10 paragraph 17 the fourth line the word "pay" should read "play". In the same paragraph but going to page 11 there is an amendment

which I feel should be inserted as more accurately setting forth what was intended. That applies to the last sentence of paragraph 17. In the fifth line on page 11 before the word "provision" the word "tentative" should be inserted; and after the word "provision" these few words should I think be inserted also "which if adopted would enable the International Trade Organisation". On page 12, paragraph 20, I think a minor amendment is desirable, on looking over it again. In the third line delete the last word "out" and insert "forth" in its place; and then in the next line I think the clause "which influenced this Subcommittee" should come out. Page 15, paragraph 3 (b), in the firstline the last wordsshould be "pursuant to sub-paragraph (a)" instead of "pursuant to paragraph 1". Likewise at the beginning of sub-paragraph (c) in the same page, it should read "sub-paragraph (a). On the next page the second line"paragraph 2" should read "sub-paragraph (b).

Mr Chairman, I appolgize for having to take up so much time making these amendments, but I thought it was better that they should be done altogether. Mr Chairman, if you agree, I had intended just to make reference to the general structure of the note, commencing on page 3, without endeavouring to cover the argument that is set forth in it.

The Sub-Committee spent several meetings considering the advantages and implications of industrial and economic development, and in the first paragraph is stated the Sub-Committee's views regarding those matters, particularly in relation to countries whose development is such that they have great potential possibilities relative to what has taken place in those countries. Special consideration was given by the Sub-Committee to the question of diversification as between primary manufacturing and secondary industries, and it was felt that that was an important issue which this Committee might keep in mind in the light of war devastated countries. In paragraph 3 on page 4 the situation there is shortly traversed, particularly in relation to the contribution which those countries can make to the expansion of world trade and the development in other countries once they are re-established.

One of the issues that caused the Sub-Committee much attention was the problem of adjustment as between the developing country and the more highly developed countries, and the views of the Sub-Committee on this matter are set out in paragraph 4, where it was felt that there should be a recognition by developing countries that their development will cause problems of adaptation in the more highly developed countries insofar as the more highly developed countries lose markets for particular products even though the total demand for all goods increases. Likewise, there are problems in the developing countries when they embark on policies of expansion.

As far as conditions of development were concerned, those were matters which received the main attention of the Sub-Committee, and the Sub-Committee, in its consideration, divided them into two main categories. One category was called the positive means of assistance - not that we ever got to the point of finding what were the negative means - but the positive means covered such things as the provision of capital, the provision

of supplies of raw materials and equipment, and the provision of technology and trained personnel for the developing countries. The other main category was the question of giving assistance by means of protection to local markets. I will come to that later.

The question of the positive means of assistance is covered in paragraph 6 - which raises the question of the provision of capital - paragraphs 7 and 8. In paragraph 9 there is a discussion on the question of supply of plant and equipment and raw materials. In paragraph 10 there is a discussion on the question of ways and means of improving technology, and the training of artisans and technicians.

Paragraph 11 briefly recapitulates something which is already referred to in the earlier paragraphs, on which some members of the drafting Sub-Committee placed particular store and which all members of the Sub-Committee recognised, namely, that whereas the Sub-Committee contemplates that the more highly developed countries would have a responsibility to help the development of the less developed countries, in their turn, the less developed countries should recognise that they have responsibilities to the countries helping them, to ensure that the assistance that they are given receives reasonable treatment by the developing countries; in other words, that there are mutual responsibilities, that it is not all one-sided, and that unless the developing countries are prepared to give fair and reasonable treatment to the facilities which the more highly developed countries can provide, then the developing countries are not playing their full part.

On the question of protection, the Sub-Committee feels that there should be a recognition in the Charter that protection is one legitimate means of assisting development, and that action to give protection can be taken by developing countries.

The question of the nature of the protection that should be given was one which caused considerable discussion. The Sub-Committee did not specify just what sort of protection should be given, or should not be given, but taking into account the rest of the Charter, certain means of giving protection are otherwise proscribed, and the Sub-Committee discussed whether it was desirable that there should be a means of being released from the obligation not to use certain means of protection. In its consideration of this matter, the Sub-Committee also took into account the limitations that might be placed on members arising from agreements made between members under the Charter, whereby, for example, a tariff rate might be bound by an importing country, and it therefore decided to consider these two particular problems: the problem of a release from obligation under the Charter not to use a particular method of protection, and the problem of release from an obligation under an agreement entered into under the Charter not to increase protection on a particular commodity. The Sub-Committee felt that these two matters were closely associated because it would have been possible - for example, by the use of quantitative restrictions if permitted as a means of giving protection - for a country effectually or substantially to nullify the benefit to an exporting country of a bound tariff rate. It was felt, therefore, that these two matters should be brought in and considered together.

The general principle that the Sub-Committee decided to recommend to the Committee was that where a member wanted to use a method of protection otherwise proscribed, for purposes of promoting industrial or general economic development, it should advise the Organisation.

The Organisation should thereupon examine the matter in the light of the views put forward by the applicant member, and the views which might be expressed to the Organisation by other Members who would be substantially affected by the proposed action, and also in the light of any criteria which the Organisation may decide to establish in assisting it to judge whether an industry was deserving of protection. The Committee felt that where a question of a bound rate, or where a question of the application of an agreement entered into pursuant to the Charter, was involved, then, before the Organisation should give a release to a member, there should be substantial agreement between the members affected and the applicant member. If such substantial agreement could be obtained, and the Organisation was satisfied that a release was desirable, then the release could be given. If, however, there was no question of a bound rate or a trade agreement being involved, then the Committee felt that all that was necessary would be that the Organisation should consult other members who might be substantially affected, and in the light of their views and the other matters to be taken into account, decide whether the release should be granted. So the two main matters that the Drafting Committee recommends to the full Committee is that there should be undertakings by all members to promote development, using all the means that are at their disposal, recognising their mutual responsibilities, and secondly, that where an individual member wants to promote development by protective methods, there should be provision in the Charter whereby such a member can obtain release, to use a means which would otherwise be proscribed.

That brings us, I think, Mr Chairman, to page 10: "Allocation of Functions". This is a matter on which the Committee took only a tentative position. The fact is that the Economic and Social Council already has one of its subsidiary organs established, the Sub-Commission on Economic Development, which will be quite interested in this question of industrial and general economic development, and the issue before the Drafting Committee was whether it should make any recommendation that the I.T.O. should exercise any specific functions in this field. It was submitted by certain members of the Committee that there would be advantages in the I.T.O. having such definite functions;

for example, in the way of giving technical and other advice to members regarding their particular projects or general plans of development, but it was pointed out by other members that the I.T.O. was not the only member in the field; there was not only this organ of the Economic and Social Council that I have already referred to, but there was the International Bank, the I.L.O., the F.A.O. and, very probably, UNESCO, when it gets under way, from the point of view of training, and so on. It was felt, therefore, that the Drafting Sub-Committee was not in a position to make any definite recommendation that I.T.O. should undertake a definite function in this field, and it has been recommended to this Committee that the Preparatory Committee should request the Economic and Social Council to give its advice before the next session of the Preparatory Committee, as to whether I.T.O. should be given definite functions in this field. In that connection there are just two matters that I would draw the attention of the full Committee to: on page 13 we noted that paragraph 3 of Article 2 is in brackets; that is to indicate that that is merely a tentative position taken up, and if the Economic and Social Council recommend that I.T.O. have definite functions in the way of giving advice and so on, that clause will stand, and the square brackets can come out. On the other hand, if the Economic and Social Council say that it would be better for I.T.O. not to have such functions, then that clause would be deleted. The other matter I wished to draw the attention of the Committee to in this connection is on page 17, which sets out the draft Resolution which suggested that the Preparatory Committee might agree to asking the Economic and Social Council to give consideration to this matter, and to take into account the views of the Committee which are set forth in paragraphs 17 to 21. I do not think there is anything further that I want to say as regards the draft articles on pages 13 to 17; I hope that the headings of the various articles will speak for themselves. I think at this juncture there is nothing further I would wish to report.

THE CHAIRMAN: Thank you. We now proceed with the consideration of the Report, and I will start, as suggested, with the note which explains the Draft chapter on page 3. We will go through it paragraph by paragraph. I invite comments on paragraph 1 to the note on page 3.

Are there any comments on paragraph 1?

In the absence of comments, I take it that is approved.

Are there any comments on paragraph 2? I am proceeding fairly rapidly because I take it everyone has read the report. It was circulated this morning.

MR FREQUET (Cuba): I have been unable to read this Report before. When I applied at the Documents Office this morning I got Document 17 but not Document 18. So I ask you to go rather slowly with this matter.

THE CHAIRMAN: Is there anybody else who did not receive a copy of the Report?

Paragraph 2 is approved.

Are there any comments on paragraph 3?

MR PHOA LIONG GIE (Netherlands): The Netherlands Delegation would like to make a suggestion. It is to add the words "or decline" after the word "disappearance" in the sixth line of paragraph 3. The word "disappearance" is too limiting.

THE CHAIRMAN: I am sure that will be generally acceptable. Are there any other comments on paragraph 3? That is approved.

We pass to paragraph 4.

MR PHOA LIONG GIE (Netherlands): In paragraph 4 in the fifth line from the foot we would like to add after the word "based" the words "and effectuated".

THE CHAIRMAN: ". . . . to ensure that their development programmes are soundly based and effectuated".

MR FREQUET (Cuba): I should like to suggest an amendment in the fifth and sixth lines of paragraph 4, to delete the words "the severity and duration". The sentence will start: "These problems will be minimised". My point is that I would certainly like the position of under-developed countries made clear because of the possibilities of the under-developed countries having improved conditions.

THE CHAIRMAN: Are there any comments on the two proposals?

MR HELMORE (UK): If I understand the Cuban Delegate aright, it is the word "severity" which he thinks might have awkward repercussions?

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MR PRESQUET (Cuba): And also the word "duration". "These problems" would cover the whole idea without qualifying the problem itself.

MR HELMORE (UK): I am willing to meet any reasonable political apprehension provided that my own reasonable political apprehensions are also met, and it is important if the needs of the under-developed countries are to be met sympathetically by public opinion in the more developed countries that some attention should also be paid to their problems. I would be prepared to delete the word "severity" and say "the degree". If the Cuban Delegation want to begin the sentence with the words "These problems", I would be perfectly happy if it began: "These problems will be minimised both in degree and in duration".

THE CHAIRMAN: Is that acceptable to the Delegate for Cuba?

MR PRESQUET (Cuba): Yes - "These problems will be minimised both in degree and in duration".

MR HELMORE (UK): On the amendment which was suggested first, I wonder if I might suggest a small alteration in the words without changing the sense, and say: "their development programmes are soundly based and carried out".

MR PHUA LIONG GIE (Netherlands): That is acceptable.

THE CHAIRMAN: Are there any further comments on paragraph 4?

We will proceed to paragraph 5. Are there any comments on paragraph 5?

MR PRESQUET (Cuba): I think it would be a good idea to include among the conditions for industrial development raw materials. If we go into so much detail here and say the conditions include capital, markets, an adequate technology and managerial skill, we should also include raw materials.

THE CHAIRMAN: Perhaps I might just explain why we have omitted reference to raw materials. The Drafting Committee, I think, fully shares the view which has been expressed by the Delegate for Cuba that raw materials are important, and reference is made to that fact subsequently.

In the first sentence of paragraph 5, although it goes into some detail, it does not purport to cover all the issues involved; but the question of the supply of raw materials of course implies that a prerequisite of that is that one has sufficient capital with which to acquire them; and we felt that that sentence could be interpreted that way. The reason why we have amplified the issues at the end covering adequate technology, managerial skill, technicians and trained artisans, while we felt it was desirable - I think I am right in saying this on behalf of the Drafting Committee - to indicate clearly that the conditions of industrial development at the present time imply that these things are a prerequisite at any time, whether in the present or in the past, the supply of raw materials has been necessary, but at the present time in particular these issues of an adequate technology, managerial skill, technicians and trained artisans in sufficient numbers are peculiarly applicable to our modern ways of production. That is the reason why we have omitted the reference to raw materials.

THE CHAIRMAN: Is that acceptable.

MR FREQUET (Cuba): Mr Chairman, I really appreciated the explanation given by the Rapporteur and I thank him for that; but it seems to me that he did not raise any objection to the inclusion of raw materials, so that I take it for granted that could be included here.

MR PIERSON (United States): Mr Chairman, I think it would not do any harm if we put the words "capital goods and materials", which appear in the second sentence, also in the first sentence. Even though the distinction that the Rapporteur made is it seems to me a good one, the point is soon reached where we bring in the capital goods and materials, and I think those words could appear in the first sentence without damage.

THE CHAIRMAN: I take it that is generally agreed to?

MR MARTINS (Brazil): (Interpretation): Mr Chairman, on the amendment proposed by the representative of the United States, which concerns the second line of paragraph 5, I agree with the addition of the sentence "capital goods and materials," but it should be made without the meaning of the word "capital" being changed, that is to say "capital and capital goods." But it must remain as capital.

THE CHAIRMAN: I think the addition of "raw materials" is in addition to "capital," is it not? I do not think you had any intention to change "capital and capital goods."

MR PIERSON (USA): No; I thought we might say "including capital, capital goods and materials, markets" - in other words, repeat the words.

THE CHAIRMAN: Added in line 2?

MR PIERSON (USA): Yes. "Capital, capital goods, materials, markets." Would that meet the Brazilian delegates point?

THE CHAIRMAN: Is that acceptable to the Brazilian delegate?

MR MARTINS (Brazil): Yes, Sir.

THE CHAIRMAN: Thank you. Paragraph 6. Any comments on paragraph 6. Paragraph 7.

MR PIERSON (USA): Mr Chairman, paragraph 7, the next but last sentence: I have a feeling that whether the International Trade Organization participates in discussions with its own members and with other international bodies regarding proposals for the provision of regulations for a regular flow of capital, that is linked with the decision concerning the paragraph in square brackets, and that it might therefore be better to say, that the I.T.O. might well participate, or use some other phrase that leaves the matter open, but not finally recommended.

THE CHAIRMAN: That would certainly convey the sense, I think. It is tied up with the other part. Is that acceptable? Are there any other comments on paragraph 7? If not, we go on to paragraph 8.

MR DEUTSCH (Canada): Mr Chairman, I am not sure what the status of that paragraph is. Will it depend upon the action taken in Committee II or will it stand in any case?

THE CHAIRMAN: I take it the position is that that is the considered opinion of this Committee and will be conveyed to Committee II.

MR HELMORE (UK): Mr Chairman, might I suggest that it would be convenient if at this stage we were also to pass that part of the draft message which hangs on this paragraph?

THE CHAIRMAN: Yes, you will find that on the last page of this draft, page 18.

MR PIERSON (USA): May I ask you a question? Has this message already gone to

Committee II?

MR HELMORE (UK): Mr Chairman, I can assist the Committee by answering, as I happened to have been at the sub-committee meeting of Committee II, the question just asked by the United States delegate. This matter is in the sub-committee stage of Committee II and the sub-Committee knows what is in the draft message from our own sub-Committee and is preparing the answer to be put up to Committee II on the assumption that this message will come; but the message was not regarded by the sub-Committee of Committee II as having a definite status until it had been passed by this meeting.

THE CHAIRMAN: The same applies to Article 18 of the draft Report.

MR. LAURENCE (New Zealand): Are you taking the first passage of the draft message on page 18?

THE CHAIRMAN: I think it would be better if we took the second part.

THE RAPPORTEUR: The first part will arise when we come to paragraph 14.

THE CHAIRMAN: Are there any other comments on paragraph 8.

MR. MARTINS (Brazil) (Interpretation): I would like to ask, concerning paragraph 8, which has been approved, whether the recommendation of a message to Committee II must remain or not within brackets.

THE CHAIRMAN: No, I think that if this Committee feels that any modification should be made in the message that has been sent to Committee II, that modification will be made and communicated to Committee II, so that it can be taken up at the stage of consideration by the Committee itself. It is at present being considered by the Sub-Committee.

MR. LAURENCE (New Zealand): Will you take a point on the second paragraph of the draft message? In the last line we have the words "regulations in respect of certain classes of consumer goods." In paragraph 8 we have the term "qualitative regulation of its imports." I am wondering whether from a practical point of view it would not be better to introduce into the draft message the words that are used in the paragraph.

THE RAPPORTEUR: I would like to interpolate here that there is a typographical error, I think, in the second paragraph of the message. The last line should, I think, read "regulations in respect of the imports of certain classes of consumer goods."

MR. LAURENCE (New Zealand): I do not know that that entirely meets the point. In a country such as mine, our own programmes for development may have to be undertaken over a period, and the qualitative regulation of imports may extend even to the field of capital goods. I think that the paragraph would be more satisfactory if the words of paragraph 8 were used in the draft message.

MR. HELMORE (UK): I hope the Committee will not accept the New Zealand Delegate's suggestion, particularly because I have not the faintest idea what qualitative regulation means. I only suspect it is a way of

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describing quantitative regulation so as to conceal its true meaning. I have heard various people in this Committee and in the Sub-Committee talk about qualitative regulation, and they have always proceeded to explain that what they wanted to do was to impose quantitative regulation. I do not object to the words in the Report itself, because there we go on to explain what we mean, but in the message it seems to me important that we should use precise words. I am not sure that the words of the message do entirely meet all the circumstances, and I would be prepared to consider or to suggest other wording for it and the message, but I think it would be a mistake to use the word "qualitative" in the message.

MR. LOKANATHAN (India): I was going to say that I agree that the last sentence needs modification, because I entirely agree with the New Zealand Delegate when he pointed out that the sort of regulation that is contemplated is not merely applicable to the imports of consumer goods, but to all kinds of goods, the object being not to diminish the imports of the total value of goods, but to use the resources for the best purpose by getting those goods which are most likely to be useful. Therefore, I think that if the term "qualitative" is not appropriate, it is necessary to make it even more general, and to say that it will be inadequate to finance the need/imports of both capital and consumer goods unless it imposes regulations in respect of such imports.

MR. MARTINS (Brazil) (Interpretation): I was thinking that the problem of qualitative restrictions had been sufficiently explained for there to be no more doubt about the meaning that qualitative restrictions might have in relation to quantitative restrictions, and it seems to me that the drafting of this message is quite clear to those who wish to consider if as a matter apart from quantitative restrictions, because the word.

"qualitative" in this message is defined by the regulation of imports of certain categories of consumer goods, and the reason is well explained in the Report, which says that its object is to avoid a future lack of equilibrium in the balance of payments. Those countries which have to develop their industries need imports, and they may not have the necessary foreign currency to buy these production goods. Whatever may be their quantitative restrictions which they may have chosen for some other end, they need also some purely qualitative restrictions in the choice of the goods which they wish to import, so that consumer goods should not be imported, and there should be enough currency left for capital goods. It does not seem to me necessary to change this message, which seems to me quite clear. The word qualitative is there, and it might need some explanation, as the Delegate of the United Kingdom said;

but it refers to restriction of consumer goods in favour of capital goods, and that has to do with the industrial development, and that is why we must also have some express recommendation in this report which might satisfy the aims of the industrial development of countries which do not have an abundance of foreign currencies; because they have always in the past been and may yet in the future be in the position of not having an excess of foreign currency as their balances are not always available.

MR HELMORE (U.K.): Mr Chairman, I think the Brazilian delegate and the United Kingdom delegation are at one in this. The word "qualitative" is used in the report quite appropriately, because it is defined. When we came to the Message, the New Zealand delegate suggested the inclusion of the word "qualitative" and I resisted it because it would be difficult to define it there. If I might now take up the suggestion of the Indian delegate, I think he was troubled by the implication that the only choice was between capital goods on the one hand and consumer goods on the other, which, of course, is not so, because a country, even if it was spending very heavily on capital goods for its industrial development programme would probably need some consumer goods, and I believe we can solve all the trouble if we make the last two lines of the Message read, "to finance the needed imports of capital goods unless it imposes regulations in respect of the imports of other goods" - that is, unless it cuts down on all the other goods than the needed goods.

MR LOKANATHAN (India): Mr Chairman, Mr Helmore has covered completely all the points I raised, but there is just one that he has not done justice to, and that is that it may be that certain types of capital goods may have to be restricted in view of the fact that there is a better local supply of such capital goods and the need for certain other capital goods is more urgent; and therefore I do not want this Message to imply that we ought not to put any restrictions at all upon the importation of any type of capital goods. All we want to ensure is this: the total amount will be spent, but how it is going to be spent must be determined by the needs of the country.

MR PIERSON (USA): I wonder if that point would be met by inserting the word "particular" before "capital goods" in the next to last line?

MR LAURENCE (New Zealand): That is after Mr Helmore's suggested amendment has been made?

MR PIERSON (USA): Yes; so that it would read, "monetary resources will be

inadequate to finance the needed imports of particular capital goods unless it imposes regulations in respect of the import of other goods."

MR LAURENCE (New Zealand): I do not know. We have the position where the term "regulation" is taken as being synonymous with the term "restriction", but that is not necessarily so. It may be that you say, "Yes, we will import all the capital goods which importers, whether they be governments or private corporations, want to import"; but there may be a programme, a time-table; and the word "regulation" may mean restriction at all; so if we accepted the proposal made by the delegate for India and caused it to read "to finance the needed imports of goods unless it imposes regulations in respect of imports" - or if you like you can say "capital and consumer goods" - regulation does not necessarily mean restriction.

MR HELMORE (U.K.): Mr Chairman, if regulation does not mean restriction there is no need to send a message to Committee II about it at all.

THE CHAIRMAN: It must mean temporary restrictions, surely?

MR LAURENCE (New Zealand): Restriction on the way in which Mr Helmore has chosen to interpret it!

MR MARTINS (Brazil)(Interpretation): Mr Chairman, the alterations suggested by the representative of New Zealand would nullify this whole Message, as the last sentence means that there will be a necessity for certain regulations.

THE CHAIRMAN: Shall I read it out as it should read after the latest amendments have been made? It will be like this: "to finance the needed imports of particular capital goods unless it imposes regulations in respect of the import of other goods".

THE RAPPORTEUR: Mr Chairman, if I may venture to make a suggestion which I think is in conformity with what the Committee has in mind and which may clarify the point the New Zealand delegate has raised, it is this: if instead of the words "in respect of" in the last line we insert the word "restricting", I think it will spell out precisely what we have in mind. It would then read: "...unless it imposes regulations restricting the imports of other goods".

THE CHAIRMAN: How does that appeal to New Zealand?

MR LAURENCE (New Zealand): Do I take it that the last four lines from "anticipates" now read, "anticipates that its accruing international monetary resources will be inadequate to finance the needed imports of particular capital goods unless it imposes regulations restricting the imports of other goods"?

THE CHAIRMAN: That is correct.

MR LAURENCE (New Zealand): Thank you.

MR LOKANATHAN (India): I do not wish to spend any time on this, but I have a little difficulty here, because it seems to me that if you use the words "to finance the needed imports of particular capital goods" the idea is not well thought out, because what is implied here is that we have not the resources to finance the imports of all kinds of goods and therefore we are asked to restrict the importation of some goods. That is all we intend to say, and any idea that we want to finance the needed imports of particular capital goods is not in my mind at least or in the mind of several members of the Sub-Committee which went into this matter. We had broadly the idea that the total resources were not adequate for getting all the capital goods and consumer goods required, it might be necessary to put restrictions on the importation of some goods. Whether those "some goods" included the capital goods or only consumer goods is not for us to say. That was the point. If that idea is brought about it will be alright.

THE CHAIRMAN: We pass on to the next point.

MR. HELMORE (UK): I think we were in the middle of paragraph 8 when we came to that. Have you finished the discussion on that, or could I raise a point?

THE CHAIRMAN: Yes, please do.

MR. HELMORE (UK): It relates to the phrase "especially if it is relying on its domestic savings to supply the capital required". I am not sure that that does not beg a question and rather point to that particular way of conducting industrial development rather than another, which I do not think we should do. I would prefer to leave the phrase out altogether and simply to say "A country embarking on a programme of development involving substantial imports of capital goods may be faced with the possibility of balance of payments difficulties." That is a perfectly plain statement of fact which does not give a lead in any way.

THE CHAIRMAN: Any comment on that? I take it that is accepted. We now proceed to Paragraph 9. Any comments on Paragraph 9?

MR. DESCLEE (Belgium) (Interprétation): Mr. Chairman, I have not quite been able to follow the words of the Drafting Committee and I think the word "unreasonable", which can be found in the eighth line of the paragraph, is not precise enough to be interpreted clearly by the I.T.O. I should be glad if the Chair could give me a few explanations concerning this particular word, or suggest criteria which one might follow in determining whether an obstacle can be called reasonable or not. I believe that a nation which might place certain obstacles might certainly have a reason for doing so.

THE RAPPORTEUR: First of all, Mr. Chairman, I draw attention to the remainder of the paragraph, which says that the obligation not to place unreasonable obstacles is undertaken subject to other provisions of the Charter, and the theory, I suppose one might say, or the thought underlying what has been written here is that

the other provisions of the Charter broadly speaking cover the reasonable obstacles that may be permitted, and, speaking broadly, anything beyond that should not be done. The intention was that there should be a recognition that members in a position to supply capital goods and materials should not take action to prevent such capital goods and materials being made available to any particular country requiring development in any way, overt or otherwise. The decision arose from views expressed by many delegates at earlier meetings of this full Committee that it was essential that developed countries should be able to obtain the capital goods and material they want. I do not think that the Drafting Committee went into a consideration of the ways and means whereby countries could place unreasonable obstacles in the way, but I think that there are a number of ways which could be thought of. For example, an unreasonable government might well suggest to supplies of electrical equipment that they did not like a particular country and suggest that any orders for electrical equipment for that country should be received with the reply that there were so many orders on hand that it was not possible to receive the order. That is only one example of placing an unreasonable obstacle in the way of capital equipment being supplied, and provision is made in the draft Articles that if any country believes it is suffering as a result of unreasonable obstacles being placed in the way of getting the equipment it wants it can complain to the I.T.O., who can investigate to see whether the action is or is not unreasonable.

MR. DESCLEE (Belgium) (Interpretation): This explanation is most interesting, Mr. Chairman, but the I.T.O. will really have only one power - that of seeing whether or not the measures can be called reasonable. It seems to me that this wording could not be satisfactory to international jurists and certainly will not be satisfactory to countries who are trying here to obtain a certain measure of guarantee.

THE CHAIRMAN: "Unreasonable" is obviously an unsatisfactory word, capable of different interpretations, but would the Belgian delegate help us by suggesting a better word?

MR. DESCLÉE (Belgium) (Interpretation): Well, in French I might paraphrase this by saying obstacles which would not give to the nation or region or country which is using them or making them an advantage which might be compared to the advantage brought to the opposite party from the suppression of these measures, those obstacles. I suggest the obstacles are out of proportion to the interests of the members directly concerned.

MR. HAKIM (Lebanon): Would not the word "undue" be better than "unreasonable"?

THE CHAIRMAN: It still leaves us in a state of vagueness, I think.

MR. HAKIM (Lebanon): I think this word must necessarily remain vague.

THE CHAIRMAN: Does the delegate of Belgium wish to press his objection to this word?

Mr LOKANATHAN (India): The I.T.O. will not be called upon to decide and therefore a certain amount of vagueness is permissible. This is only an enunciation of a principle which has got to be explored by the developing countries. I do not think the I.T.O. is going to be called upon to consider whether any protective measure is wise, because under the provisions of the draft which we are going to examine later you will find that this is not directly called into question at all, as may be explained later. Here the only object of this paragraph was to expound the double obligation on the part of the countries which use protective tariffs to be reasonable and on the part of countries which are supplying capital not to impose any unreasonable impediments. So that the vagueness is all right as between both the parties and I think we should accept that.

THE CHAIRMAN: Are there any further comments on paragraph 9? If not, we will go on to paragraph 10. Are there any comments on paragraph 10? (After a pause:-) Paragraph 11. Are there any comments on paragraph 11.

Mr. FREQUET (Cuba): Mr Chairman, referring again to the same phrase "capital funds, equipment, advanced technology", and so forth, I think if we accepted it before, we should include "raw material" here.

THE CHAIRMAN: It is the same phrase.

Mr. FREQUET (Cuba): Yes,

THE CHAIRMAN: I take it that is accepted? (After a pause:-) That is accepted.

Mr. HELMORE (UK): In the form of saying "capital funds, capital goods and raw materials"?

THE CHAIRMAN: Yes.

THE RAPPORTEUR: Mr Chairman, previously in paragraph 5 we have the phrase "capital goods and materials".

THE CHAIRMAN: Yes, "capital goods and materials". Are there any more comments on paragraph 11? Then we go on to paragraph 12. Are there any comments on paragraph 12? (After a pause:-) Paragraph 13. Are there any comments on paragraph 13? (After a pause:-) Paragraph 14.

Mr LAURENCE (New Zealand): Mr Chairman, are you taking the first paragraph of the draft message along with the consideration of paragraph 14?

THE CHAIRMAN: Yes, I think it will be convenient if we do that.

Mr LAURENCE (New Zealand): There is a point arising from the first paragraph of the draft message in line 5, where we have the words "that in relation to the undertaking to reduce tariffs and to eliminate import tariff preferences". I think the undertaking is rather to negotiate with a view to. Now, I am wondering if it would not express the real position better if instead of the words "to reduce tariffs and to eliminate", those words were changed to "concerning the reduction of tariffs and the elimination of import tariff preferences".

Mr FRESQUET: Mr Chairman, I wonder if we can take into consideration what they have been doing in Committee II. Instead of only the word "eliminate" for the import tariff preference, we may use the words "reduce or eliminate", because the elimination I understand is not going to be so automatic as we thought in the beginning, and on this here there is the idea that it is going to be only an elimination.

Mr HELMORE (UK): Mr Chairman, I think we are in a difficulty here, because two Committees are moving on parallel lines and seem unlikely to meet. Perhaps we could solve the difficulty by a still more radical amendment than that suggested by the delegate from New Zealand, which I should have thought was sufficient to cover the point which the delegate from Cuba has in mind. If it does not, we should just leave out the words from "so that" down to "preferences"; so that it would read "requests Committee II to make a provision in Article 8 of the Chapter dealing with commercial policy so that the Organisation and other Members should when considering the contribution" &c.

Mr LAURENCE (New Zealand): That will be acceptable to New Zealand, Mr Chairman.

THE CHAIRMAN: Is that acceptable? The proposal now is to eliminate the words after "so that", beginning with "in relation to" up to "preferences" in the next line, line 5 of this. (After a pause:-) That

is agreed to. Are there any further comments on paragraph 14?

M. DESCLEE (Belgium): (Interpretation): Mr Chairman, the draft of Committee II seems to present certain objections which might be more of words than of substance. It is said here that the Organisation when it is considering the contribution which might be made by a Member in tariff reduction should take into consideration the tariff rate of that Member. I think this would be going outside the terms of reference of Committee II to use a formula of so general import. As far as I can see, here we are talking only of Member countries who face the historical necessity of developing an economic system which has not yet been the subject of important economic development.

It seems to me that it would be good in a case like that to add after the word "member" some expression or other which would specify that here we are thinking of a member who is undertaking economic and industrial development for which development this protection is necessary. The present formula is very general in its import. Might I suggest that we delete the words "take into account the height of the tariff of that member"?

MR. FREESQUET (Cuba): I think the wording of this line covers certain countries which have had very low tariffs, and that should be considered at the time of the negotiations. The qualifying use of the word "high" here should remain in the text, for it will give countries with traditionally low tariffs an opportunity of getting a fair position in the way of negotiations.

THE RAPPORTEUR: I think that the delegate of Cuba has stated substantially what was in the minds of the Drafting Sub-Committee in putting in these words. It is true, as the delegate for Belgium said, that as it stands it has a general application and that particular part goes beyond that to members promoting development, but the Drafting Sub-Committee felt it was a principle sufficiently important to have general application, and therefore the message was worded in this way. It is possible that, as a matter of strict logic, in this message we should restrict the modification only to members promoting industrial and general economic development, but I think that the Drafting Sub-Committee felt that after considering the matter it would be better to draw the attention of Committee II to the matter in general terms.

M. DESCLEE (Belgium) (Interpretation): If that is the case, it might perhaps be better to replace the word "and" by the words "in connection with" before the words "the need", so that it would read: "take into account the height of the tariff of that

member in connection with the need, if any".

MR. LOKNARLN (India): That would be acceptable to us.

MR. FRESCQUEL (Cuba): Before proceeding, may I have a translation in English of the last speech made by the Belgian delegate?

(The speech in question was then interpreted from the table, as given at the foot of p.27. and top of this page.)

MR. LOKNARLN (India): The Drafting Sub-Committee had two separate considerations in mind - the case of member countries which would like to use protective measures for their industrial and development programmes (that was a very important consideration) and the second consideration was that certain countries could obviously not give excessive concessions because of low tariffs, and that must be taken into account. There was no point in joining these two entirely separate factors, and I think it is very necessary that we should retain these two in the form in which the message has been framed.

M. DESCLEE (Belgium) (Interpretation): I think it will be sufficient to leave in the message to be sent to Committee II certain explanations which may be needed, should the Committee ask to have the meaning of that sentence explained. That being so, I am prepared to leave this message as it is.

M. IGONET (France) (Interpretation): I believe that the difficulties we are facing on the interpretation of this sentence come from the fact that we might not directly be able to understand the manner in which one will take into account the more or less high rates of the country which wishes to protect its developing industries. It is understood that a country already having a great deal of protection and high tariffs for good reasons asks to have its tariffs raised in order further to protect a new industry. On the contrary, a country whose tariffs are low, legitimately, has a better right to require to use higher tariffs to protect an industry. I think this is the way we want to understand the words "take into

account", and that ought to reassure our Belgian colleague, as Belgium has only low tariffs as far as I know.

THE CHAIRMAN: Shall we leave it then? If there is any difficulty about this, I am sure they will indicate it. We now go on to paragraph 15.

MR. LAWRENCE (New Zealand): A point arises in paragraph 15 in the third line on page 10 - "as a result of agreements voluntarily negotiated by Members as contemplated by the Charter". The position, as I understand it, is that the Charter will not come into force until after these preliminary negotiations are carried out, and there is just a question whether there would not be a more suitable wording if that is to be the case, because the Charter will not be in existence at the time when the negotiations are carried out.

There is intended, I think, to be some agreement -- a general trade agreement between the parties that enter into the negotiations. It is just a point of detail but it arises from the fact that the Charter is a post-negotiation document.

MR HELMORE (United Kingdom): I think the point of the New Zealand Delegate is a sound, constitutional point, in that the Charter cannot settle what happens before the Charter comes into effect. We could leave out the words "by the Charter".

MR LAURENCE (New Zealand): Members of what? -- countries entering into the general trade?

MR HELMORE (United Kingdom): Or "by prospective members, as contemplated in connection with the Charter".

THE CHAIRMAN: Are there any further comments on paragraph 15?

MR FREQUET (Cuba): I have not been able to go further in this draft, and I do not know if the point is found later, but it seems to me that it is in this paragraph that the Sub-Committee states in its draft that there was a general agreement about the use of subsidies, and they did not feel happy about tariffs, and they did not say anything about other forms of protections that may be used to promote industrial development in undeveloped countries. I did not see any reference here to ----- what?

THE CHAIRMAN: Paragraph 16.

MR FREQUET (Cuba) That is what I said before.

MR LOKANATHAN (India): May I explain. The position is this, that all forms of protection are permitted, whether they take the form of tariffs or subsidies or quantitative controls; but in the use of these forms of protection every member will have to be guided by the other articles of the Charter. The other articles of the Charter provide for the use of subsidies and tariffs in a particular manner. As regards quantitative controls, they are permitted only in certain sets of circumstances. If quantitative control is to be employed also as a protective measure, there is no provision here; but if a country wants to employ it, then it will have to go to the Trade Organisation to get a release. The procedure for getting that release is also laid down. He will have to satisfy several tests and conditions, and if those tests are met, and the Organisation feels that the particular member is entitled, in view of the circumstances presented to the Organisation, to use quantitative control, then it can get a release from the

obligations or from other undertakings given by that member under the terms of the Charter.

MR FREQUET (Cuba): I reserve the Cuban Delegation's view on this matter until we come to discuss the procedure.

MR IGONET (France)(interpretation): Mr Chairman, I should now like to present a few remarks of a general character, which ought perhaps to be made a little further on. It seems to me that they are connected with the statement made just now by the Indian Delegate. The remarks which I wish to express here have already been expressed by the French Delegation during the debates in Committee 2. They concern the very great importance which should be given to the views of the parties in any dispute, concerning the measures to be taken in order to ensure industrial economic development, through other Committees and for other reasons. All of us in all the different committees are turning towards a solution of the problem of international relations whose aspect is no longer one of a definite strict law or discipline; but rather an organisation more flexible in its way of operation, to whom everyone can present its own case, and which would, in all justice and for general good, take the best possible decisions. It seems to me that the faith which many countries might have in the actions concerning disputes is a fundamental element in the arrangement of international relations in the economic field. Therefore, I should now like to say (and even other committees might have the opportunity of doing it too) that the arrangements for the conduct of disputes should be given the greatest possible attention. In order to ensure great objectivity and to give to all countries a feeling of complete security, an agency of appeals might somewhere be established, either near the Economic and Social Council or the Organization, in order to give final judgment when a country believes that the jurisprudence governing disputes is not satisfactory.

MR CHAIRMAN: Thank you very much. Are there any further comments on paragraph 15? Then we now pass on to paragraph 16.

MR HAKIM (Lebanon): I would like to make a short statement regarding the last sentence in this paragraph which refers the method of regional preferential arrangements to Committee 2. I note that the Sub-Committee has not recognised regional preferential tariff arrangements as a means of promoting industrial development in small countries. It has not included this means for the promotion of industrial development in its report and in the draft clauses of the chapter on industrial development.

M.L.

The Lebanese Delegation considers this question is one of great importance to certain small countries in certain regions, if not to other countries. It considers that this means of promotion of industrial development is of the same character as tariff protection. Where regional preferential tariff arrangements are made, small countries co-operate in providing tariff protection for each other's industrial products in each other's markets.

In spite of the fact that the Lebanese proposal on these regional preferential arrangements has not been discussed in this full Committee, I have no intention of raising the question now.

I only wish to make a special reservation with regard to the non-recognition of these preferential arrangements which the Lebanese Delegation considers are a very important means for the promotion of industrial development in small countries. We believe that these arrangements should be encouraged as a form of international co-operation on a regional basis, for the solution of the problem of markets which small countries face, the widening of which is necessary for the industrial development of small countries.

MR LOGKANATHAN (India): Mr Chairman, on behalf of the Indian Delegation, I should like to offer a comment upon this paragraph. I have no amendments to propose or alterations to suggest. All I wish to do is to place before you our difficulty with regard to the suggested procedure. We feel that the procedure may turn out to be too elaborate, too complicated and probably too dilatory. We also fear that under-developed countries may not be able to get release except under difficult terms. We also have a suspicion that, unless special weight is given to their difficulties, the scales may be weighted against them. In particular with respect to trade controls, we have a feeling that our difficulties have not been fully appreciated. We are the

first to recognise that they are capable of great abuse. As in the case of balance of payments difficulties administrative trade controls are allowed, subject to reasonable safeguards, so we feel that in this, subject to safeguards, they may be allowed. However, we appreciate the sort of compromise that has been arrived at as the result of long discussion on the subject, and we do not wish to press further ~~in~~/the matter on this occasion. We shall consider this matter very carefully, and we may have some more suggestions to make when next we meet.

THE CHAIRMAN: The reservations made by the Delegate for Lebanon and for India are noted. I take it that no amendments have been suggested; so we shall not, therefore, have any amendments to discuss.

MR FRESQUET (Cuba): I would like, Mr. Chairman, to say a few words on this paragraph. I agree that subsidies are the better form of protection for the countries which can afford them. Then come tariffs, as another form, not so good as a protective measure; and countries should not use quotas unless it is absolutely necessary for them to do so as a means of protection. I think the way the matter has been dealt with in this paragraph leaves very little opportunity for the use of quotas at all, - at least for the under-developed ~~countries~~ countries. Apart from the regulations which we shall come to discuss later on, it is expressed here that the opinion of the sub-Committee is in relation to quotas is that they should be employed only when they would place a lighter burden on the country giving the protection. In connection with this phrase my own judgment is that it is a very candid way in which to look at it because it is very difficult to assess the degree of importance of any protective measure, especially the quota measure because it would take a long discussion on human necessities to decide and find out what kind of a burden we are imposing when we

establish some kind of quotas. In relation to the second condition that quotas would be less restrictive of International trade, it seems to me that that is also candid, because quotas, of course, will always be more restrictive than any other forms of subsidy in International trade, unless the tariff was so high and the subsidies so high also that it came to the same thing in the end. So I have a proposal to make in connection with this paragraph and it is that we delete those two conditions and say - this is at the end of line 6 - "These means should be employed only where it was absolutely necessary" or something of that kind. I only throw those particular words out to give an idea.

THE CHAIRMAN: The proposal now made by the delegate for Cuba is that at the end of line 6 of paragraph 16 it should read as follows: "These means should be employed only where it was absolutely necessary"; in other words to eliminate "It would place a lighter burden on the country giving the protection and therefore it would be less restrictive of International trade than would be the case with other forms of protection." I invite comments on this proposal.

MR HELMORE (UK): I do not suppose that at this hour the Committee needs, or wants, a fairly long speech from the United Kingdom on the subject of quotas for protective use. The proposal as set out in the Committee's report and the draft articles represents to our mind a very considerable approach towards supping with the devil. I am sorry if the Cuban delegate thinks the spoon is too long, but I am afraid we could not agree to shorten it.

THE CHAIRMAN: If the Cuban delegate wishes to press his point we can include it among the reservations and let it stand with those reservations.

We proceed to paragraph 17.

THE RAPPORTEUR: Mr Chairman, if I might just make reference to the position taken by the Delegate for the Lebanon, the way the redraft of the Article is worded, "whereby a Member can get release from an obligation," there is no limitation as to what obligations he can be released from and, if necessary, he could be released from the obligation not to enter into regional preferential arrangements. If the Organization, on examining the case, agreed that it was desirable that he should be given permission to enter into regional preferential arrangements, because of that overriding possibility of release, the sub-Committee felt that it was not necessary for them to take any further action, especially in the light of the fact that the matter was being considered, we understood, in Committee II.

MR HAKIM (Lebanon): Mr Chairman, I thank the Rapporteur for his interpretation of paragraph 3 of Article 4 of the proposed Chapter on Industrial Development, and I would like to know whether the whole Committee supports this interpretation, because, at first sight, it seemed to me that the protective measures referred to in this paragraph concerned only those which were taken by a member individually and not in agreement or arrangement with other members. If this release referred to here also covers the possibility of members entering into preferential arrangements, I would not be prepared now to withdraw my reservation, but I think that would be a contribution towards the solution of this problem.

THE CHAIRMAN: We move on to page 17. I may say that in connection with these five paragraphs 17, 18, 19, 20 and 21 there is a resolution as well, but we

will take paragraph 17 first. Are there any comments on paragraph 17.

MR DESCLEE (Belgium): (Interpretation): Mr Chairman, I wonder if it would be possible to separate Article 17 from the others; I am reading it here for the first time because I was not present at the meeting of the Drafting Committee, and I will read the last sentence but one, where it says that the "Organization" (must) "perform certain positive functions in relation to industrial development, particularly in the provision of technical aid to Members in the formulation and execution of plans for development." In a word, Article 17 refers already to the draft of the text to be submitted to the Economic and Social Council. That being so, I wonder if I could tell you now ----

THE CHAIRMAN: It is going to be submitted.

MR DESCLEE (Belgium) (Interpretation): Mr Chairman, the question I asked was this. I was wondering whether we might even now speak of this draft, and I wonder if I might tell you what is my opinion of the whole of this problem, since Belgium has not been allowed to do so in the Drafting Committee. Both Article 17 and the following Articles have caused me a certain amount of surprise and I think they might also cause surprise to those who know how the Economic and Social Council functions. I suppose that this suggested draft which might be submitted to the Economic and Social Council should first be the subject of debate by the Heads of Delegations, and that, on the other hand, Committee IV should have its say on this matter, whatever the case may be; but I am not quite clear that the procedure which is suggested is satisfactory. There must be equal collaboration between international agencies, and, on the other hand, there is no doubt that there must also be very close connection between the I.T.O. and other international organizations. From this point of view there can be no shadow of doubt that the problem of international tariffs and other measures of protection which might be taken in favour of under-developed countries, implies both the functions and activities of the I.T.O., the Economic and Social Council, the Bank, and the other specialized agencies, most particularly the Economic and Social Council, as the

Rapporteur has so justly said, in Article 19. There is a special sub-committee discussing economic problems, and it does not seem very logical to me to give to the I.T.O. the responsibility of solving problems of economic development starting from a viewpoint which is not its own viewpoint. In this paragraph, for instance, technical help is mentioned. I might have understood this if one supposed that it would be the duty of the I.T.O. to deal with the problem, because in my opinion the provisions, in so far as they are related to economic development, are concerned with this; but I do not understand very well why we use as an example the functions of the I.T.O., technical help, and later on talk about functions which at least in my opinion pertain much more to the functions of the Economic Development sub-Committee, and which, in any case, will necessitate, sooner or later, the intervention of the Economic and Social Council itself. Also Articles 17 to 18 are a surprise to me, and I am wondering whether this problem should not be developed a little so that we might understand it with greater precision. It is a question of the collaboration between the different Organizations; it is a very subtle one; and I do not think that the proper solution would be one of having every international agency having its terms of reference extended to all matters from all points of view. I believe, on the contrary, that we should try to examine the problem of economic development from the point of view of international competition and international trade. I have expressed here my surprise, and I am wondering whether all these reasons are as important as they seem at a first reading.

THE CHAIRMAN: I would like to remind the Delegate of Belgium that, as the Rapporteur pointed out in his opening remarks, the specific provision made is in the draft Charter in paragraph 3 of Article 2. That lays down the specific functions of the ITO with regard to economic industrial development. The intention, as I understand it, is that this particular paragraph shall remain in brackets until the second session of the Preparatory Committee has received a message from the Economic and Social Council as to what it feels is the right way of dealing with this question after considering the paragraphs numbered 17, 18, 19 and 20 in this Report. The intention was to put to the Economic and Social Council the feeling of this Committee with regard to the advantages in favour of the ITO taking on the functions laid down in paragraph 3 of this Article, and also recognising that there are other bodies that could presumably be charged with the same functions. That is the position with regard to this matter. I do not know whether the Rapporteur wishes to add anything to what I have said.

THE RAPPORTEUR: I am afraid I have been preoccupied with another point that was left outstanding.

THE CHAIRMAN: Does the Delegate of Belgium wish to proceed with this matter?

MR. DESCLEE (Belgium-Luxembourg) (Interpretation): I would like to say to the Rapporteur that the main point of my argument was that Article 17 and the following three go very far in this sense. The aid to new countries does seem to come under the terms of reference of the Sub-Commission for Economic Development, which is one of the Sub-Commissions of the Economic and Social Council. I believe that we have gone outside the programme of our work such as it was outlined at the beginning of the work of the Joint Committee. I think the examples given here, such as the one of technical aid, mentioned under paragraph 18, are examples which would not really justify any intervention of the ITO in this matter. There is, in fact, a Sub-Commission for Economic Development which has been organised, and which is appropriate for the regulation of these problems, and I understand the ITO should really treat all questions of international competition and

perhaps treat questions of economic development from that point of view.

I do not see how it could effectively treat problems of technical aid, and everything that is mentioned under paragraph 18.

THE RAPPORTEUR: Speaking as Rapporteur for the Sub-Committee, I think I can only say that there was full recognition given by all members of the Sub-Committee to the potential role which the Sub-Commission on Economic Development might play. Some members of the Sub-Committee felt that -- I think for two main reasons -- that the ITO could perform some of the functions which may have been contemplated for the Sub-Commission. One reason was that the Sub-Commission is an organ of the Economic and Social Council, and as such is presumably a body that will undertake mainly advisory and coordinating functions; and it was felt that the technical advice and general advice on plans and programmes might involve functions of a rather more administrative character; and the broad policy which is gradually being evolved is that administrative or executive functions are carried out by specialised agencies, such as the Bank and the Fund, and in another sphere, by the F.A.O. The F.A.O.'s functions include advice of a technical character regarding agricultural production, and it was felt that possibly the carrying out of that function would involve administrative action being taken by F.A.O. Likewise, on industrial production, manufacturing production, it might be desirable to have a similar administrative agency of the Council. That was the first main point, I think, put forward by the supporters of this idea.

The second was of a rather more general character; it was felt that if the ITO was to be thoroughly successful over a long period in the carrying out of its functions, it was desirable that it should have the best possible opportunity of getting the confidence and goodwill of its Members. If its functions were primarily concerned with policing the restrictive provisions of the Charter, it was thought that the opportunity of getting that confidence and goodwill might be possibly not as great as they would be if it had functions whereby it could give more positive assistance, and it would be of mutual benefit in enabling the

the officers of ITO to learn at first hand the real problems that individual countries have to face and at the same time assist individual countries in developing a respect and regard for the ITO. Those were, I think, the main points of the protagonists of this idea that the ITO should be given these functions. It was felt that it was sufficiently important that some action should be taken along these lines if it were possible.

However, other members of the Sub-Committee pointed out, just as the Delegate of Belgium has done, that this sort of functions might possibly be undertaken by the Sub-Commission on Economic Development, and until the matter has been clarified, it was thought that the whole issue should be left undecided. It was felt, however, that it was desirable to get the views of the Economic and Social Council, because it presumably did not take into account the possibility of ITO becoming established/it decided to establish the Sub-Commission on Economic Development, and as the actual organisation and operation of that Sub-Commission has not yet been decided, it was felt that it was not inappropriate to bring the matter to the notice of the Council for their examination and advice prior to the April meeting of the Preparatory Committee.

MR. DESCLEE (Belgium-Luxembourg) (Interpretation): As far as the first of the arguments is concerned, it seems to me that certain members having decided that there is a lack of agencies of the Social and Economic Council, this might be expressed in some message which would be quite different from the one here suggested. We might ask them to examine how the organisations already existing or accredited might take charge of this very important problem of economic development from the point of view of administration. As far as the second argument is concerned, I am not convinced. The same arguments would apply to the Bank.

The best system for achieving the aims which have motivated the members of this assembly, particularly those who come from less developed regions, might be for the Bank to give up all its powers to the ITO. You would then certainly have the confidence and goodwill of members. My position perhaps is too logical a one, but I fear that the ITO might fail at its task, which, after all, is the one of achieving some positive and concrete result in the field of international competition.

THE CHAIRMAN: The discussion has nearly covered paragraphs 17, 18, 19 and 20, so that we can take them all together now. Are there any further comments?

MR DEUTSCH (Canada): Mr Chairman, I have one suggestion to make on Article 18.

I have no objection to the main substance of that Article but I am a little troubled about the middle of the first sentence: "This task, because of its essentially administrative character, would be appropriate to a specialised agency"; which then goes on to say it is necessary to do this in order that the Organisation may have goodwill. Now, it seems to me that the goodwill of the Organisation will depend upon the exercise of all its functions, not simply the exercise of this function; and it is a bit invidious, I think, simply to say that unless it does this particular function it will not have any goodwill. It seems to me it would be just as well to delete that part and say, "This task, because of its essentially administrative character, would be appropriate to a specialised agency", and then strike out the remainder of the sentence and then go on, "Furthermore, it would provide", and so on.

MR PIERSON (USA): Mr Chairman, I agree with the suggestion just made by the delegate from Canada. I think for mechanical reasons the amendment would have to include the addition of some words in the second sentence. If the amendment were adopted it would have to read, "Furthermore, the performance of this task by the International Trade Organisation would provide..."

THE CHAIRMAN: Are these two amendments accepted?

MR PHILLIPS (Australia): I am not quite clear as to the significance of the United States suggestion.

MR PIERSON (USA): The second part of the first sentence refers to the performance of the task by the ITO. If that is to be dropped, then I think the second sentence must begin, "Furthermore, its performance by the ITO would provide..." It is a purely mechanical and consequential amendment.

MR PHILLIPS (Australia): I think it would be rather a pity to drop the whole of the thought embodied in that sentence. I wonder if it might meet the point made by the delegate for Canada if you stopped the sentence at "positive co-operation of members". I do not think that is what he suggested - I am not quite certain - but it would then read, "This task, because of its essentially administrative character, would be appropriate to a specialised agency, and its performance by the International Trade Organisation might well provide a means of positive co-operation with members. Furthermore...." - and so on. I would point out also that as drafted the sentence only says that this function might assist the Organisation in gaining their confidence and goodwill. It does not suggest it is the only means by which that goodwill would be gained.

THE CHAIRMAN: Are there any comments from the delegate of Canada?

MR DEUTSCH (Canada): I think I would compromise with the Australian delegate on that.

THE CHAIRMAN: In that case the consequential amendment will not be necessary, if that is acceptable. Then shall we adopt the wording suggested by the delegate for Australia?

MR PIERSON (USA): I would suggest one further minor change. The third line of 18 reads, "...might well provide a means of positive co-operation with Members..." It seems to me that we might strike out the word "well" and say "...might provide a means..." It seems to me it is quite clear.

THE CHAIRMAN: Is there any further discussion on these paragraphs?

MR PIERSON (USA): I have just one minor suggestion on 19. I would suggest that the United Nations Educational, Scientific and Cultural Organisation, referred to in the sixth line there, be placed at the end of the list of Organisations given, quite without prejudice to the good work which this Organisation may do in the field. My point is that we are more familiar with the role that the Bank and the ILO and the FAO are prepared to undertake. I would suggest a simple transposition of that Organisation to the end of the list.

THE CHAIRMAN: I think that is agreeable. (Agreed.)

Now, I had proposed to go on until eight o'clock. It is possible we might finish the discussion of the draft chapter before eight. I am entirely in the hands of the Committee in this matter. Shall we proceed and see how we get on? (Agreed.) We ought to get through it today, as time is now getting short.

THE CHAIRMAN: Article 1, Declaration in General Terms. Are there any comments on this? If not, we will proceed to Article 2, paragraph by paragraph. Paragraph 1? Paragraph 2?

MR. LAURENCE (New Zealand): Mr. Chairman, there is a point arising on paragraph 2, in the third line: "in plans and programmes to promote industrial and general economic development". Those words suggest that if members are to agree in carrying out plans and programmes, either they would be evolved by the organization or evolved by members individually and approved by the organization; and then to carry on with the word "promote", it may be that there would be conflict that would have to be resolved, and I am wondering whether or not it would not be better to substitute for the words "following agencies" the words "to achieve the fulfilment of purposes set out in Paragraph 1", or, if you will, "in Article 1".

THE RAPPORTEUR: Speaking as the Rapporteur, Mr. Chairman, I think that the words suggested by the delegate from New Zealand cover the thought that the Committee had in mind in using the words that are set down here. I do not think that there would be any difficulty in accepting those words, if it is the wish of the Committee.

MR. LAURENCE (New Zealand): Do you mean the words already there?

THE RAPPORTEUR: No, the words you have suggested as an alternative. I think they come to much the same thing.

MR. LAURENCE (New Zealand): If I may speak again, Mr. Chairman, the distinction I was wanting to draw was this, that the question may arise in some actual situation as to whose plan is to be carried into effect. It may be, for instance, that New Zealand has a plan in connection with farming, and it may be that the United States has a plan in connection with farming, on which there may be some conflict, and the point has to be resolved on the grounds, presumably, of which of those plans achieves the fulfilment of the purposes; and it seemed to us that it would be better to have the broader significance than to reduce the thought at that

point to plans and programmes, where in an actual situation some difficulty may arise.

MR. PIERSON (US): May I ask the delegate from New Zealand whether a simple change, in which the words "plans and programmes to" were deleted, and "promote" became "promoting", would meet the thought that he has? It would then read "and the appropriate international specialized agencies in promoting general industrial and economic development".

MR. LAURENCE (New Zealand): I think probably that would be better.

MR. PIERSON (US): Perhaps that would be the simplest way of meeting the point.

THE CHAIRMAN: Is that acceptable? I take it that is agreed to.

Then Paragraph 3 of Article 2.

MR. SKRINDO (Norway): Mr. Chairman, I suggest that the word "shall" in the first line of this paragraph should be amended to read "may". Further, I am not quite sure of the meaning of the word "resources" in the third line of the same paragraph. If it also covers expenses for technical assistance given to an applicant country in completing its plans and carrying out its programmes, in that case I entertain some doubts, and would suggest that the words "and resources" should be omitted. I am, however, inclined to think it only covers resources of technical advice, and so on, but I should like to have some explanation on this point.

THE RAPPORTEUR: Mr. Chairman, the word "resources" was, as the delegate for Norway suggested it might be, relating to its financial resources, and really related to both points he mentioned. We had in mind the financial resources of the Organization and its technical resources. We felt that it was necessary to make that reservation, so that although it is true that if it were not made mandatory the reservation would not be quite so necessary, it was felt it was desirable to indicate that the I.T.O. did have some limitations at some point.

THE CHAIRMAN: Any further comment?

MR. LAURENCE (New Zealand): Do we take it that the word "shall" is substituted by the word "may"?

MR. LOKANATHAN (India): No, sir. I thought it was only a suggestion but if it is to be included I should like to say something.

MR. LAURENCE (New Zealand): I had another point. I find there is some ambiguity arises from the use of the first word "its" in the second line. I only mention it as a matter of drafting. I do not want to take the time of the Committee now, but it can be taken to read that the Organization submits plans or the Member submits plans.

THE RAPPORTEUR: I think perhaps it might be more correctly put.

This is bad drafting, Mr. Chairman, but the meaning is "shall advise such member concerning such member's plans".

MR. LAURENCE (New Zealand): Yes.

THE CHAIRMAN: Yes. That will have to be cleared up.

MR. LOKANATHAN (India): I only wanted to say that if the substitution referred to previously was going to be pressed I wanted to speak about it, but if that is not the intention I will not waste the time of the Committee. The reason for the Sub-Committee definitely putting the word "shall" was to lay on the organization a certain positive duty to render help and assistance in the programmes of economic development. It was really because we wanted the Organization to be an instrument for considering plans from various members, and so on, and also to act as a constructive organ, and that is why we wanted the Organization to be clothed with enough resources and competence to render this aid.

If you can replace the word "shall" by "may", then I do not think the Organisation may have the resources.

THE CHAIRMAN: Does the delegate for Norway wish to press the suggestion regarding a change?

Mr SKRINDO (Norway): No, Sir.

THE CHAIRMAN: Now I do not think there is much point in trying to go any further with this. We shall have to have one more meeting. I understand there is a meeting of Committee IV tomorrow morning and a meeting of Committee II tomorrow afternoon. It is just a question of whether we should choose to meet in the morning or the afternoon.

Mr STEYN (South Africa): Mr Chairman, I was wondering whether we could not perhaps have a meeting tomorrow morning early - at 9.30.

Mr. FRESQUET: How about a meeting later this evening?

THE CHAIRMAN: Yes, we could have a meeting, but I am afraid I shall not be able to come, as I have an engagement. I have people coming to dine with me. If I had been dining with somebody, I would have cried it off.

Mr. HELMORE (UK): Mr Chairman, when we are moving at the speed at which we are, we must have an opportunity of speaking to our members who are on the other Committee and between 9.30 and 10.30 is the only time for that.

THE CHAIRMAN: If it is agreeable to Members of the Committee, I suggest the Committee meet again after dinner tonight with another Chairman. Shall we do that? (After a pause:-) Very well, we will do that. As this will be the last time I shall be presiding over the deliberations of this Committee, I should like to say what a great honour and pleasure it has been, how grateful I am for the unfailing co-operation, help and assistance that I have received from the Members of the Committee, and, if I may say so, how adaptable the members have shown themselves to be in appreciating the points of view of delegates from other countries. I think the meetings of this Committee have been very successful, and I think it is entirely due to that spirit of accommodation that has been shown by all the delegates. I would also

like to express my gratitude on your behalf for the very excellent work done by the Secretariat. Their work has been of a kind of which I can only say this; that it is like a machine that has been running without our knowing that the machine was running: it has run so well. Last but not least I would like to thank on your behalf Mr. Hartnell who has not only shown tremendous industry in preparing this Report, and we all know what an admirable document it is, as we have seen now, but has also exercised infinite patience. I am most grateful to him, as I am sure you all are. Thank you very much. The meeting is now adjourned till 9 o'clock.

(The meeting rose at 7.55 p.m.)

(For verbatim report of next session see E/PC/T/C.I&II/PV/4-
Part 2.)

COMMITTEE SECRETARY: We will start the meeting now; but since we have no Chairman or Vice-Chairman to preside over this meeting, I suggest we nominate somebody to take over the Chair for this meeting. Are there any suggestions?

MR LAURENCE (New Zealand): Mr Acting Chairman, what about our Rapporteur acting in the Chair?

MR LOKANATHAN (India): I second that.

(The Rapporteur, Mr B.W. Hartnell, Australia, then took
the Chair)

THE ACTING CHAIRMAN: Thank you very much, Gentlemen, for the very signal honour you have done me.

I think we were about to begin consideration of Article 3. Are there any comments on paragraph 1?

MR FREQUET (Cuba): Mr Chairman, will you give me leave to add in the letter (b) "raw materials."

THE CHAIRMAN: In consonance with what we have done before, is it the wish of the Committee that that be done? I think the words before were "materials" with no qualification. Is that the wish of the Committee? With that modification, Gentlemen, is paragraph 1 agreed?

MR LOKANATHAN (India): What is the proposal, Mr Chairman?

THE CHAIRMAN: (b) of paragraph 1 now reads: "equipment, materials, advanced technology," etc.

MR LOKANATHAN (India): I have no objection to it, only I feel that our intention is not to suggest all the hundreds of thousands of factors that enter into this: our real point is only to emphasize more the difficulties of countries in regard to materials, because they may have those materials but do not have other things, generally speaking. However, I have no objection to this.

THE ACTING CHAIRMAN: Can we take it then that paragraph 1 is agreed?

Paragraph 2. If there are no comments on paragraph 2, we can take that as agreed. Paragraph 3. If I may interpolate here, Gentlemen, speaking in my capacity as Rapporteur of the sub-committee, there has been a typographical omission in paragraph 3. After the word "co-operate" the following words should have been inserted, "within the limits of their power to do so,"

so that the paragraph now reads: "Members agree to co-operate within the limits of their power to do so with the appropriate international agencies," etc. Are there any comments on paragraph 3?

MR LAURENCE (New Zealand): I am wondering whether the paragraph would be clearer if the word "such" before "facilities" could be amplified, such as "such facilities as are enumerated in paragraph 1" - whether it would not be better to include that.

THE ACTING CHAIRMAN: Speaking as Rapporteur, the Article proceeds from paragraph 1 where it enumerates the facilities required for economic development, and in paragraph 2 you will see a reference to facilities required for economic development, and it was felt that rather than recapitulate again the use of the adjective "such" would be sufficient.

MR LAURENCE (New Zealand): I do not want to press the point, only reading the sentence just as a sentence one has a feeling that it is left in midair, somehow. It can be taken into account in drafting; if there is anything in it, but I do not want to press it.

THE ACTING CHAIRMAN: Perhaps we can leave that to the Committee that is going to meet next January to polish up the draft, if that is agreeable to the New Zealand delegate.

MR LAURENCE (New Zealand): Quite.

THE ACTING CHAIRMAN: May we proceed now to paragraph 4? Are there any comments?

MR STEYN (South Africa): Mr Chairman, I would like to find out exactly what is the meaning of this particular section, because I do not know, and it has rather left me guessing. I would like to get a line from you as to what was actually the intention.

THE ACTING CHAIRMAN: The intention of Article 4 was first of all that there should be an undertaking that no unreasonable action should be taken by Member countries where those Members were receiving their supplies of capital or equipment and so on from other countries. However, it was felt by the sub-committee that that perhaps was of rather wide application, and it was felt therefore that it would more clearly give the intention which the sub-committee had in mind if there were a qualification provided, that countries would conform to the provisions of any international

obligations entered into already or in the future under paragraph 5 of Article 50 of the Charter, and then just add a general overriding sentence, that in addition to that, they might take no unreasonable action which would be injurious to the interests of members' business entities or persons supplying them with those facilities. It may well be that the drafting of the paragraph could be improved, but no doubt that will go through the screen that the drafting committee next year will apply to all these proposed articles.

MR LAURENCE (New Zealand): I can sympathize to some extent with the difficulty that the South African delegate has had. The impression on my mind from reading the paragraph was that it mainly comprised seeing that members would do what they were already obliged to do; but the sub-committee, no doubt, has its reasons for making these statements here, and in the light of your explanation I am wondering whether it would make for clarity if after the word "will" in the third line you made the text read, "in addition to conforming to the provisions of their relevant international obligations, whether now in effect or which they may undertake pursuant to paragraph 5 of Article 50 or otherwise," and then strike out the words "in general," "that they will take no unreasonable action," etc.

THE ACTING CHAIRMAN: Might I suggest to the delegate of New Zealand that I think to follow his suggested amendment it would be necessary to delete, not the words in the second last line that is suggested, but the word "and" and the words "that they will."

MR LAURENCE (New Zealand): Yes, whatever is consequential.

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MR. FLEMING (UK): Mr. Chairman, I should like to point out that this might involve a slight substantive change. If it were a matter of pure drafting I would agree with the delegate from New Zealand, but/under the present form of the paragraph the complaint procedure of paragraph 5 would apply also to those existing international obligations. Under the redraft of the paragraph the complaint procedure would no longer apply to those obligations I think, therefore, there is a real, substantive change here, and on the whole it is preferable that this document should, as it were, take under its wings the existing bilateral obligations so as to interest the Organization in them and obtain the sponsorship of the Organization for any consultations that might be undertaken to ensure that they are carried out. For that reason I think we should prefer to retain the present form of para. 4.

MR. LAURENCE (New Zealand): I do not wish to change the form. It was just that it seemed we were doing no more than saying that members would do what they were obliged to do.

THE ACTING CHAIRMAN: I think that the point taken by the United Kingdom delegate, if I may again speak as the Rapporteur, is of substance. The intention was that the complaints which a member may make, either in respect of Article 2, 3 or 4, would enable a complaint to be lodged in respect of any violation, if there were such, of an obligation under an existing agreement, whereas the wording suggested by the New Zealand delegate would probably exclude such an obligation being complained of.

MR. LAURENCE (New Zealand): I do not want to get into abstruse points, Mr. Chairman, but in the light of what the delegate from the United Kingdom has said, are we to take it that the words are intended to mean more than "It shall not be a requirement of this Chapter or the obligations imposed by the Chapter that member should contravene any relevant international obligations"? It is intended to go beyond that, is it?

THE ACTING CHAIRMAN: The intention is, that they will first of all conform to obligations under international agreements, and, secondly, that in addition they will place no unreasonable obstacles, or take no unreasonable action in this case, and if either of those two sets of obligations are violated then a member may complain.

MR. LAURENCE (New Zealand): But the international obligation has the greatest force.

THE ACTING CHAIRMAN: I do not think that is necessarily implied by the wording of 4.

MR. LAURENCE (New Zealand): Well, I do think, Mr. Chairman, the clause is unsatisfactory.

THE ACTING CHAIRMAN: Do you mean from a drafting point of view or from the point of view of the intention which we have endeavoured to explain?

MR. LAURENCE (New Zealand): I do not know that I fully appreciate the intention, because as I read it again I still see that members are saying that they will do what they are already obliged to do; but I may be a bit dumb.

MR. PIERSON (US): Mr. Chairman, I should just like to ask the United Kingdom delegate again whether the suggested drafting change would not be an improvement, and whether on reconsideration his point might not be covered, if I understand his point. If in addition he said "they will/conform to the provisions of their relevant international obligations, now in effect, or which they may undertake pursuant to Paragraph 5 of Article 50 or otherwise in general take no unreasonable action injurious", and so forth, that seems to cover the drafting point; although it is a rather long sentence. I believe also that would leave the same obligation with respect to obligations now in effect or to be undertaken as exists in the paragraph at present, and although that is a matter on which I would bow to Mr. Fleming if he is confident that the opposite is the case, I wonder whether it is

not about as broad as it is long from that point of view, and whether therefore the drafting consideration might not well prevail.

MR. FLEMING (UK): Mr Chairman, we are getting to very fine points now, I feel. I agree with what has been said about the drafting of Paragraph 4 if it stood in isolation. I do not think Para. 4 means any more than it says on the face of it and as it has been interpreted by the New Zealand delegate. The real point is that Para. 4 is, as it were, incorporated in Para. 5. Now when we consider that aspect of the problem I think the advantage in drafting is definitely the other way. If we want to make it clear that complaints can come forward under Para. 5 relating to existing relevant international obligations, and not merely to the general provision about unreasonable action - if we want to make that absolutely clear the way to make it clear is to leave para. 4 as it is. If we say "in addition to conforming to the provisions of the relevant international obligations" then it may, I agree, with Mr. Pierson, possibly be taken to be covered in Para. 5, but then it becomes ambiguous, so that from the point of view of clarity I should say it is better to retain Para. 4 as it is, and then it is absolutely clear that you can complain with respect to any ordinary bilateral international obligation covering the provisions of treatment of other members supplying facilities for industrial and general economic development.

MR. LAURENCE (New Zealand): Might I suggest, Mr. Chairman, it should not be necessary to go to Para. 5 to find out what Para. 4 means, so that I think we have the acknowledgement there that there is a drafting problem.

THE ACTING CHAIRMAN: May I suggest to the delegate from New Zealand and the delegate from the United Kingdom that it might be possible to cover this difficulty if they would agree to let the wording stand as it is, both making reservations that they will brief their representatives at the meeting next January to

ensure that the appropriate wording is incorporated.

MR. LAURENCE (New Zealand): I would like to meet your wishes, Mr. Chairman, but South Africa and the United States and ourselves are suggesting a different wording. I do not think there is much between us, but I do think that if we could get together before this has to be typed to go into the main Committee we may be able to resolve the points of difference. The point I have in mind is this, that since some of us here acknowledge confusion and we are living in the atmosphere of it, what is it going to be when the proposals go to points where they have not got our advantages?

THE ACTING CHAIRMAN: Would the Committee agree to letting Para. 4 pass, subject to its being examined, before submission to the Preparatory Committee, by a Sub-Committee consisting of the delegates from New Zealand, South Africa, United States, United Kingdom, and myself? Would that be acceptable?

MR. LOKANATHAN (India): Mr. Chairman, I should like to make just one or two comments upon this. I think the first important point which the New Zealand delegate raised was, what is the good of affirming a thing which in any case every member country should conform to? Every member country should conform to the provisions of relevant international obligations. Now it is generally true that this sort of truism exists, but can we conceive of a more formal truism than Article 3(1)? There is in my opinion no greater commonplace and greater truism than in Article 3 (1), which we have accepted, that the development of a country depends upon the availability of capital funds. We recognize that these are all commonplace things, but they do serve an important point, because here our purpose was to bring together certain things which are related to this paragraph. For instance, the question of the treatment of foreign capital by a country is mentioned in Para. 5 of Article 50, and therefore we bring together the relation between this and that. Similarly, we also feel that if there are

international obligations we should conform to them. The fact that we recognise it does not mean it is superfluous or unnecessary or anything of the kind. So I personally feel this was a very important reason which Mr. Fleming gave; because we want the right of a member country to complain to be put so that it will cover all the obligations, and if you simply say that in addition to conforming to the provisions they will take no unreasonable action, the operative part will only be taking unreasonable action injurious to the interests, and so on, and therefore any complaint can only be in relation to that. For those various reasons I suggest that we simply leave it as it is. After all, every member is going to have further opportunity to consider the drafting changes, and I am told that there will be a Drafting Committee which will go into this whole matter.

MR. MARTINS (Brazil) (Interpretation): Mr. Chairman, I agree entirely with the suggestion of the representative of India, because it seems to me this is a question, not of substance, but purely of form, and it seems to me that as it is only a question of form we might prepare a draft which would have another and this time definite form, which would express clearly the thoughts of the Committee on the subject.

ACTING CHAIRMAN: Gentlemen, I suggest that we might pass over Article 3 for the time being and come back to it perhaps at a later hour in the evening. There seems to be some talking going on surreptitiously.
I suggest we might now address ourselves to paragraph 1 of Article 4. The system of simultaneous translation is out of action for the present; so if delegates wish to have translations made, will they call for them, please. Are there any comments on paragraph 1 of Article 4.

Mr LAURENCE (New Zealand): Mr Chairman, there is just a point in connection with paragraph 2 of Article 4. Do you want to confine that paragraph to the question of adjustment? I was wondering whether it is adjustment or functioning. Adjustment suggests something that is happening after disruption, and I thought you intended it to have more significance than that.

THE ACTING CHAIRMAN: Well, I think the Committee probably had in mind the modifications that might be required if the development in another country resulted in particular industries encountering difficulties requiring switches perhaps to other industries. I think that is what was in mind.

Mr LAURENCE (New Zealand): If it just has that particular application,

THE ACTING CHAIRMAN: Are there no other comments on paragraph 2?

Paragraph 3 (a).

Mr FREQUET (Cuba): Mr Chairman, I would like an explanation about Paragraph (a). What I want to know is, if this Article means that any country that may decide to establish a quota or subsidy system, even if it is for the purpose of the economic development of the country, should feel that that is one of the cases where it has to go to the Organisation and follow the procedure established; or whether the position is that only when the protective measures are established without any relation at all to any programme of industrialisation has the case to go to the Organisation for consultation or permission. It may be that I have not made myself clear. The question is this: the Charter as a general principle establishes certain limitations on the use of protective measures; but here in Article 4 Members are

in a way granted opportunities of using protective measures to help their industrial development. So it does not seem clear to me how this is to be interpreted, according to paragraph 3 (a), when the protective measures are against the principle of the Charter or against the obligations that that nation has according to the Charter.

THE ACTING CHAIRMAN: I think the intention of the Sub-Committee was that if at any time a Member wishes to use a protective measure which is otherwise forbidden by any provisions of the Charter, particularly those in the commercial policy chapter, whether it involves giving protection to a commodity which has had no protection up to the present or whether it is a question of giving additional protection to a commodity which is already receiving some protection permitted under the Charter, then the Member will go to the Organisation; in other words, this sub-paragraph proposes that you will only go to the Organisation when you want to use a measure which you could not otherwise use under the Charter.

Mr FREQUET (Cuba): Mr Chairman, that means that the principle — we have to call it something — that is established in paragraph 1 of Article 4 only works through the decisions of the Organisation; that means that it has no meaning in itself. Is it the Organisation that in every case has to decide if the protective measures are established in accordance with the principles settled in paragraph 1 of Article 4?

THE ACTING CHAIRMAN: Under paragraph 1 of Article 4 there is a general recognition that protective measures may be used to promote industrial development. The protective measures are not specified. There is no limitation on the interpretation of protective measures in paragraph 1, but in paragraph 3 provision is made for obtaining a release enabling Members to use protective measures which are otherwise not permitted under the Charter, the point being that there were two ways of doing this. One was to go right from the commercial policy chapter and make provision for release in every case in every Article. The alternative, which the Subcommittee decided to adopt, was to propose one Article, namely, Article 4, which would give the Organisation the power to give a release to a Member to use the protective measure otherwise forbidden.

Mr FRESQUET (Cuba): So the release established in paragraph 1 is not a release at all until the Organisation decides so, because any protective measure will be against Chapter 4 of the Charter, and so in every case Members will have to understand that those protective measures are against the principle of the Charter and will have to go to the Organisation in order to get the benefit of this release established in No. 2?

THE ACTING CHAIRMAN: If I may say so to the delegate of Cuba, I think paragraph 1 of Article 4 is merely a recognition of a principle. It is not intended to be a release. It is a recognition of the principle that protective measures of any kind may be used to promote the establishment or reconstruction of particular industries; but, in view of the fact that in other parts of the Charter we are making a provision that certain protective measures will not be used, it is necessary in the same Article, namely, Article 4, to make provision for a release of those.

Mr FRESQUET (Cuba): So really this is a rule to the Organisation and not a principle directed to the Members: it is a rule to the Organisation that will regulate the way the Organisation will release certain Members of certain obligations?

THE ACTING CHAIRMAN: That is so.

Mr FRESQUET (CUBA): It seems to me, then, that in No. 2 we already propose something like a law or the establishment of what constitutes a criminal offence; and then in 3 (a) we provide that Members will not comply with what is established in No. 2. That is not making an unwise use of protection. I think it will be better and not so unfair to the Members if we just change the whole thing and allow the Members following the principle established in No. 1 and the restriction or limitation or regulation established in No. 2, to establish certain protective measures, and if those measures really harm the trade of other Members, then those other Members will go to the Organisation and will complain about that, and that will afford an opportunity for the Member who desires the protective measures to show the administration that that Member has done it following the principle established

in No. 1 and to try to prove it, but not in every case put that Member in the position of having to go to the Organisation asking for permission, because he will permanently be suspected by the Organisation of being unfair in relation to the principle established in No. 1 or the regulation established in No. 2. Why do not we follow the procedure that the Anglo-Saxons have in their criminal law by which a man is always presumed to be innocent until it is proved that he is not?

Why not let the members use their protective measures following the principles we established in this chapter of the Charter, and then if that member does not follow those principles and those regulations, there will be an opportunity to punish him. The Organisation will have in its hands a powerful means of penalising or punishing any members who do something which is against the principles established in the Charter. May I repeat: I think it would be fairer and at the same time more practical, because with these procedures we are really putting a lot of work into the hands of the Organisation, because in every case in which a member tries to establish any protective measures, that principle has to go to the Organisation and the Organisation has to file all the evidence, proof and statements, etc. If we use the other method, and allow members to use protective measures, and only when someone complains will the administration deal with the matter, then the administration will have less work to do, and it will be a simpler and more practical approach to this problem.

MR WILCOX (U.S.A.): May I undertake to explain what is contemplated in this Article as I understand it?

In the first place, if a member desires to use subsidies, subsidies are not forbidden in the Charter and he is free to use them, and the procedure set up in paragraph 3 is not used.

In the second place, if a member desires to impose a tariff or raise a tariff on an item concerning which he has made no commitments internationally, he is free to do so, and the procedure in paragraph 3 is not required.

If a member has promised, has undertaken a solemn obligation not to raise a tariff above a certain level for a certain period of time, the procedure in paragraph 3 would enable him to get the assistance of the Organisation in securing a release from that obligation.

Without this procedure, if he raised a tariff which he had agreed not to raise, the effect would be that the other country concerned would then withdraw from him the concessions that they had made to him, and the cost of the action would be very high. A mechanism is established here, under which the prestige and authority of the Organisation can be employed to obtain for him a limited release from an obligation which he has voluntarily assumed, without incurring any penalty.

Finally, if a member desires to impose quantitative restrictions under conditions where they are forbidden by the Charter, and if he has agreed to the Charter and agreed to accept its provisions, he may then avail himself of the method set forth here, whereby the Organisation can grant him a release from that obligation. The procedure in paragraph 3 comes into play only when a member desires to have the assistance of the Organisation in getting release from an obligation that he has voluntarily assumed, without incurring penalties.

MR LOKANATHAN (India): I think Mr Wilcox has said nearly all I intended to say, and so there is very little I should like to add to what he has already said. I appreciate the difficulty in interpreting the whole of this, because it is only after an explanation which Mr Wilcox has given that members will be in a position to understand this document. It is a little hard to understand, but I think he has stated the position admirably, and that is the correct position. But there is of course a difficulty that we still feel, and that is that since quantitative controls are not permitted, whereas subsidies are allowed, tariffs are allowed, and quantitative controls as methods of protection are not allowed, if a country wants to employ quantitative controls as a protective measure, then it necessarily has to go to the Organisation, in order to employ them. In the case of tariffs, it is open to a country not to enter into negotiations in respect of commodities which the country desires to protect. Again, it can have a much wider free list. It can simply say that these are possibly commodities which we should like to develop in our own country and therefore we shall not enter into tariff negotiations in respect of those commodities. In respect of subsidies, there is a degree of protection by which a country can subsidise production. But where you deal with quantitative controls, whether it is right or wrong, many countries consider that quantitative controls are a justifiable form of protection. The difficulty arises here: it is because there is no permission to use quantitative controls ~~that~~ as a protective measure that every time a country wants to employ quantitative control it has to go to the Organisation, and here an elaborate procedure has been laid down. That elaborate procedure would be quite appropriate in regard to tariffs and subsidies, because they are an obligation undertaken by the countries; but in regard to quantitative control, this elaborate procedure might weaken the position of a country, especially when the thought behind this (namely, that

quantitative controls are an undesirable form of protection) will govern the decision of the I.T.O. also. Therefore, those of us (we may be right or wrong) who have the feeling that quantitative controls should be regarded not as a thing per se bad, (but it all depends in what manner they are used) have a feeling that the whole of paragraph 3, in so far as it affects quantitative controls, is a little more complicated and a little more tortuous and a little more dilatory and a little more unhelpful than it need be. I do not wish to say anything more. I have already said what I wish to say in connection with paragraph 16 of the Report. But this is the real position. I think it is worth while, on our part, to recognise the great concession that 3 (a) (b) and (c) do afford to the under-developed countries. It is open, under Article 3, to go to the Organisation and get release, and I do not think we shall be justified in minimising the value of that concession, and Mr Wilcox has done thing the right/in emphasizing the real point of paragraph 3. My objection is purely confined to the difficulty in getting quick action when a country wants to employ quantitative control.

MR FREQUET (Cuba): I wish it to be stated on the record that Cuba reserves its position on letters (a), (b) and (c) of paragraph 3.

THE ACTING CHAIRMAN: That will be done.

Are there any comments on paragraph 3(b)?

MR BANG HOW (China): Mr Chairman, it seems to me that this subject of our industrialisation is such an important subject on this draft; the whole thing is out of proportion. If, according to Mr Wilcox, this only refers to a protective measure specifically as a quantitative restriction, which is something on which we have to get a release, could not we make it simpler, because it certainly appears to me that the whole chapter on the draft on economic development is out of all proportion.

MR WILCOX (U.S.A.): I do not know any way in which what is said in paragraph 3 could be said any more simply than it is there. I was one of those who worked on the paragraph; it went through a great many drafts, and every draft was simpler than the last one, and we finally had something that we thought we could understand.

MR BANG HOW (China): Could we not point out point blank that is what we are referring to as a quantitative restriction?

THE ACTING CHAIRMAN: I think there might be a difficulty about that, in that, while we have in the report instances quantitative restrictions, the intention of the Drafting Sub-Committee was that it should apply generally to any obligation in Chapter 4 which would have otherwise restricted the right of a member to use any particular method to give protection in any particular case. It has been suggested that quantitative restrictions, Article 19, may well be the article from which release may be most sought, but I do not think that that is necessarily exclusively the case. There may be points arising under the Article, say, relating to State trading; there may be points arising under Article 18; there may be points relating to the articles on preferential regional arrangements, and there may be others; so that the view of the Drafting Committee was, I think, that it should have general application rather than be directed to any particular article in Chapter 4.

MR WILCOX (U.S.A.): Perhaps it would be helpful to explain the difference between subparagraph (b) and subparagraph (c). Subparagraph (b) applies to cases in which a member has entered into an agreement with respect to tariffs that is not set forth in the Charter; and it is necessary, therefore, to provide a different procedure in that case, because the detailed agreement with respect to tariffs entered into in negotiations where reciprocal concessions are made will not be spelled out in the Charter at all.

In that case it will be necessary to sponsor and assist in negotiations between the member who is a party to that tariff agreement and the member who is applying for release from that tariff agreement. Subparagraph (c), however, refers merely to obligations under the Charter, of which the quantitative restriction is an outstanding example. Subparagraph (c) is simpler and shorter than sub-paragraph (b); but it is necessary to meet those two different cases.

MR BANG HOW (China): Mr Chairman, I think Mr Wilcox's first explanation of these three sub-paragraphs is very useful because it will clear up certain misunderstandings on some of the points that were not clear even to some members of my own delegation. Therefore, I am wondering whether we could incorporate some of Mr Wilcox's explanations on the points in this note by the drafting sub-committee to the Joint Committee on Industrial Development, the essential points as he has explained them, because that would help to clarify a great deal of these three sub-paragraphs, which has already been characterized by the Indian delegate as very confusing to a certain extent.

MR LOKANATH N (India) On a point of personal correction, I did not say that this was confusing, but the difficulty as it is drafted now is that unless people understand the connection between those subparagraphs (a), (b) and (c) together with the whole of the rest of the Charter, it is difficult to understand the relations, and that particular relation has been brought out by Mr Wilcox. I entirely endorse the valuable suggestion of the Chinese delegate, that we should have an explanation because without an explanation, believe me, I do not think many members could understand the real concessions which are incorporated in paragraph 3 (a), (b) and (c). May I also suggest in this connection to the delegate of Cuba that if he really wants a little illumination here he ought to have a general provision that by quantitative trade controls protective measures are permissible and that permission is somewhere in the Charter, and release is easier here. It is because there is no way by which quantitative controls are permitted under the Charter that there is difficulty in this because you have to go through all these

procedures in order to impose quantitative restrictions or regulations.

THE ACTING CHAIRMAN: Is it the wish of the Committee that action along the lines suggested by the Chinese delegate should be taken?

MR BANG HOW (China): May I take up one more minute of your time, Mr Chairman, because I appreciate the difficulties and the different points of view that have been discussed in the subcommittee for the last six meetings. This is a very excellent draft - I say it with all my heart - and I think it is an excellent piece of work. I think that if my first suggestion that we might be able in some way to shorten these three subparagraphs were adopted, or, alternatively, my suggestion to retain this as it is, asking the Committee to make a note in substance on what Mr Wilcox has explained on this paragraph, that would meet the position.

THE ACTING CHAIRMAN: I think that can be done.

MR LOKNATHAN (India): Mr Chairman, you will remember that Mr Pierson submitted an excellent draft in regard to this matter at one of the meetings of the sub-committee, and if you can use that it will help a great deal to clarify this matter.

THE CHAIRMAN: I will arrange with the Rapporteur in conjunction with the Secretary to see that that is done.

MR LAURENCE (New Zealand): Mr Chairman, there is one point that arises under subparagraph (b) in the fourth line. This is the old point that the Charter is a negotiating instrument in regard to the obligations of members or which are assumed by members as a result of the negotiations which will take place in April. Now, they may not be in pursuance of the Charter or of Chapter IV because the Charter will not be in force then.

THE ACTING CHAIRMAN: I think that is a point, except that I have always assumed that the Organization will at an early date after its establishment take note of these agreements made next year under Article 18.

MR LAURENCE (New Zealand): But it is not pursuant to Chapter IV., is it? It is really in prospect with what is in mind for Chapter IV, which will ultimately come into effect. I just want to make the point, but I do not press it in any way because no doubt it will be covered in some

legal drafting later. But I do think there is an anachronism there.

THE ACTING CHAIRMAN: I think that will be another point that will be dealt with by the meeting next January.

Are there any other comments on paragraph 3 (b) and (c)? If there are no further comments upon that we can now go back to paragraph 4 of Article 3, where there was a private meeting earlier. Are there any further comments on paragraph 4?

MR FLEMING (UK): Mr Chairman, I think that we secured agreement with the New Zealand delegate on a rewording of paragraph 4 which was something like this: "Members agree that in their treatment of other members, business entities or persons supplying them with facilities for their industrial and general economic development not only will they conform to the provisions of their relevant international obligations now in effect, or which they may undertake pursuant to paragraph 5 of Article 50, or otherwise, but also that in general they will take no unreasonable action," etc. I think, Mr Chairman, that covers the point that one takes it for granted that countries will carry out their obligations; it also retains their relevant international obligations as obligations under paragraph 4.

THE CHAIRMAN: Any comments upon the suggested amendments of the U.K. delegate?

MR LOKANATHAN (India): I accept them.

THE ACTING CHAIRMAN: We can then pass to paragraph 5, Article 3. Are there any comments? If not, I think there is only one thing that remains to be done, and that is to look again at the draft Message to Committee II, where we did not finalize the wording of the last two lines. Now, I have worked out, speaking as Rapporteur, some alternative words which I suggest for the consideration of the Committee. The last two lines of that paragraph I suggest might read: "To finance the needed imports of goods for the carrying out of such plans," that is plans for industrial development or reconstruction, "unless it imposes regulations restricting the imports of certain classes of goods." Any comments on that? May we take it that is agreed? Could we now turn to the first page where the Report proper is incorporated. The first paragraph. Are there any comments?

MR LAURENCE (New Zealand): This now becomes the report of the General Committee?

THE ACTING CHAIRMAN: Yes, there will have to be some consequential changes, gentlemen, right through. As a matter of fact, in making those consequential changes there may be minor editorial changes involved, but I assume that you will permit the Rapporteur and the Secretariat to do that on your behalf?

MR MARTINS (Brazil) (Interpretation): Mr Chairman, I wonder if you will allow me to come back to the draft of this last amendment which has been added to the draft Message to Committee II, because as I understand it the words "consumer goods" have been left out in the final draft. I think that in reading it you have left out those words, and without those words "consumer goods" it is quite impossible to understand the meaning of the draft, because there is absolutely no meaning to it. Restrictions on importations regarding consumer goods bring about the necessity of giving preferential treatment to consumer goods. If one deletes the words "capital goods" and "consumer goods" then the whole recommendation has no meaning and becomes useless.

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I insist that the sense and meaning of this full Report must make this distinction very clear, or delete all this recommendation completely, as one cannot change the meaning which has been originally accepted by an amendment to the draft. It would completely take away all the meaning or reason which has motivated the drafting of the proposition made by the Brazilian delegation. Therefore, I ask you to examine this very carefully and see if there is not some possibility of keeping at least the final words "consumer goods".

MR. FLEMING (UK): Mr. Chairman, is the position not this, that the formula which you have suggested is more exact than the formula which was the original formula, but is perhaps less explanatory of the intention which lay behind the proposal. Could both points be met by the use of the phrase "for example", in order to illustrate what is meant? One might say "resources will be adequate to finance the needed import of goods, for example, capital goods, for the carrying out of such plans, unless it imposes regulations restricting the imports of certain" - I would suggest "other" - "certain other classes of goods, e.g., consumer goods", and then I think it would be clear.

MR. MARTINS (Brazil) (Interpretation): Mr. Chairman, I must admit that the representative of the United Kingdom has endeavoured to draft something which will bring us back to our original meaning, but it seems to me that the use of more words will in no way change the meaning which we had originally chosen for the first draft. However, in a spirit of conciliation which is always useful in any meeting I should like to thank the representative of the United Kingdom for the satisfaction he wanted to give the Brazilian delegation, and I accept his version.

MR. LAURENCE (New Zealand): Mr. Chairman, may we have this as it actually stands, because this is the third time we have had a rendering of this, and as it was the New Zealand delegation who raised it we are particularly keen to see that it does finish up where the meeting intends it to finish.

THE ACTING CHAIRMAN: Shall I read the whole paragraph. "The Joint Committee also requests that in Article 20 provision should be made to cover the position of a Member which, as a result of its plans for industrial development or reconstruction, anticipates that its accruing international monetary resources will be inadequate to finance the needed import of goods, for example, capital goods, for the carrying out of such plans, unless it imposes regulations restricting the imports of other classes of goods, e.g., consumer goods."

MR. LAURENCE (New Zealand): That is not entirely satisfactory, because "other classes of goods" would suggest that you could not restrict capital goods, and the point made by India and ourselves was that it may be desired to restrict the import of certain capital goods. I would suggest that the meaning is quite clear if the words "certain classes of goods" are retained, because it is intended to embrace either capital or consumer goods, without definition. There is no need to make a definition to give it clarity.

MR. MARTINS (Brazil) (Interpretation): Mr. Chairman, if we are not going to accept the amendment suggested by the delegate of Great Britain I should then like to return to the viewpoint I originally held - the one of not modifying this sentence in any way unless it is accompanied by the formal protest of the Brazilian delegation.

THE ACTING CHAIRMAN: I am sure that the Committee does not wish to have the wording of this paragraph in any such way as to make the Brazilian delegation feel that it must protest.

MR. WILCOX (US): Mr. Chairman, I suggest both views may be reconciled by the elimination of the word "other".

THE ACTING CHAIRMAN: How would it read then, Mr. Wilcox?

MR. WILCOX (US): "Unless it imposes regulations restricting the imports of certain classes of goods, for example, consumer goods."

THE ACTING CHAIRMAN: Would that be acceptable to the Brazilian delegation?

MR. MARTINS (Brazil) (Interpretation): Yes, Mr. Chairman.

THE ACTING CHAIRMAN: May we then now go back to the first paragraph of the first page? Are there any comments on that?

The second paragraph: are there any comments on that?

The third paragraph? And the fourth paragraph?

I take it then, gentlemen, subject to the amendments that you have incorporated during this evening --

MR. GONZALES (Chile): Mr. Chairman, the Chilean delegation have read with the greatest interest the Report and the new draft of the Chapter prepared by the Drafting Sub-Committee. Although the delegation did not have all the time it might have wished to study this document, the delegation believes that this Report is of great interest, that it is ample, and that the draft Charter represents a serious and valuable effort and basis for considering the viewpoints which have been expressed here by several delegations, but this in our opinion could only be considered as a first effort, as we believe that this draft Charter has certain Articles of great interest, but it has not established precise forms for international co-operation concerning industrial development. For instance, we believe that a certain number of proposals submitted by our delegation have not been sufficiently considered. For us the scope of this Chapter as it is drafted is rather a limited one. Therefore, I feel I must say that the Chilean delegation will accept this Chapter, but does not believe it to be sufficient in scope, and hopes that it may later be completed and give a wider scope.

THE ACTING CHAIRMAN: I thank the Chilean delegate for his remarks.

Well, gentlemen, if there are no further remarks I declare the meeting adjourned.

The meeting rose at 10.40 p.m.