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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT.

VERBATIM REPORT

SEVENTEENTH MEETING OF COMMISSION A  
HELD ON TUESDAY, 24 JUNE 1947 AT 2.30 P.M. IN THE  
PALAIS DES NATIONS, GENEVA

DR. E. COLBAN

(Chairman)

(Norway)

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CHAIRMAN: Well, it is a quarter past the time for the opening of the Meeting, and although some Delegations have not yet arrived, I wonder whether we should not start work.

I understand that we are in the middle of a discussion on Article 32, and that so far the discussion has dealt indiscriminately with all the paragraphs of that Article.

The last speaker on the 20th was the Delegate of the Netherlands. I understand that he has something to say about his own Amendment, so I call upon him.

Mr. BOGARDT (Netherlands): Mr. Chairman, during the last Session I already defended the Amendment proposed by the Netherlands Delegation.

I do not think I find much to add now. I made clear that according to our point of view you have to distinguish two meanings of negotiations about the maximum price margins.

The first one is on the bilateral base, on the same meaning provided for in respect of tariffs.

The second one only applying to primary products ought to be on a multilateral base, according to the procedure laid down in Chapter VII. Our Amendment intended to make that clear, and therefore we paid due attention to the procedure laid down in the Article regarding subsidies, in which the same definition is made.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHUCKLE (United Kingdom): I would like to say in regard to this Amendment that our conception of this Article 32 looking at it in its existing form is that it is a counterpart

of tariff negotiations. In other words, it is bilateral in its conception, and we feel that it would be introducing a very considerable obligation if the procedure of Chapter VII - the multilateral procedure of Chapter VII - were to be introduced in this place.

We feel it may call for a very definite procedure, and for that reason we should prefer to see the Article maintained on its simple, as it were, bilateral base, as at present.

Thank you.

CHAIRMAN: The next speaker on my list is the Delegate of South Africa.

Dr. HOLLOWAY (South Africa): Mr. Chairman I would like to make just one point in support of the U.S. Amendment.

The main object of this Article is to provide for negotiation of State-trading matters in the same way as we have negotiation on tariff matters; but it seems to me that having provided for that in Paragraph 1, the New York Draft immediately proposes to limit the freedom of negotiation in Paragraph 3 by dealing with one particular aspect of negotiation and laying that down as a general rule.

I do not think that any purpose is served when you get two countries together to negotiate in limiting their procedure to the sort of procedure that might be perfectly fair in one particular instance, but might be entirely inapplicable in another instance.

Paragraph 3 lays down the condition that the state trading organisation should offer for sale, and so on and so forth; but the state trading organisation might be the only organisation that is interested in the import, and therefore does not offer it for sale to anybody. Now, why a condition which does not apply should be an essential condition--so essential that it is written into the Charter--I just cannot see.

The American amendment gives more latitude, and I think that, if two countries come together, the one that is negotiating with the state trading country naturally goes out for the best it can get, and the bigger latitude there is for bargaining, the more prospect there is that one will get liberalization of trade. As soon, on the other hand, as you lay down an arbitrary condition that does not apply to the particular trade, but is a condition enforceable under the Charter, you are undoing in paragraph 3 the very thing that you set out to do in paragraph 1.

M. C. IGONET (France) (Interpretation): Mr. Chairman, I would like to state a concrete example in order to make quite clear what we had in mind when we made that reservation last week, in support of the caution which was advocated by my colleague from Czechoslovakia. Well, this is the example which I would choose in order to make our position quite clear, and it is drawn from our experience in France. At present we have, in France, groups which are called Groupements d'Importation et de Repartition, otherwise groups for import and distribution. They are not state institutions but groups representing different branches of our trade and industry, and they benefit from importing monopolies for certain categories of products. They were instituted at the beginning of the war in order to meet the difficulties which prevailed at that time in procuring some necessary supplies, and they are still maintained because these difficulties have not been completely overcome yet. Therefore, these groups are empowered to make purchases both in foreign and, in some instances in domestic, markets, and they are not entitled to any benefits under our present legislation. Therefore, the re-sale price to the consumer on the French market is approximately equal to the average purchasing price of the same goods. We have, for instance, one specific Groupement for nickel which makes its purchases abroad and also in some cases in France. Now, we have one nickel plant which cannot function over a certain capacity for reasons which are not technical and which are not connected with any currency problems either. The only reason is that this plant needs a particular kind of nickel which is imported from New Caledonia, and New Caledonia at present cannot produce this nickel type of goods, because it does not receive a sufficient quantity of coke from Australia. These, of course, are exceptional circumstances because even if the currency was available the coke still could not be procured. Therefore, this nickel producing plant has to work

with a reduced activity and under very unfavourable conditions.

Our desire is to maintain a moderate level of protection for nickel in France, but at present we have a domestic price for nickel which is abnormally high as compared to the price of nickel abroad. In order to have an equal re-sale price to the consumer, as our legislation provides for, we have to introduce an equalising element. Well, this example that I have just stated may be useful in explaining to some of my colleagues the difficulty there might be in approving immediately and without any qualifications, the kind of institution which is provided in Article 32. Of course, it might be objected here that a solution might be found in granting subsidies to the national production which is at present under difficulties, but we know from our own experience, that it is very hard to obtain the said subsidies from our parliament because they are not regularly incorporated in any budget, and therefore it is sometimes difficult to obtain them. The point I was driving at is that it is necessary to provide some alleviating measure for the temporary difficulties such as those I have just stated.

This is why, Mr. Chairman, I believe it is necessary to make this kind of reservation to Article 32 in order to cover precisely this kind of position, and I think my colleague from Czechoslovakia might bear me out with some examples stated from their economy.

Mr. J.A. NUÑOZ (Chile): Mr. Chairman, at the end of our debate last Friday we heard two very impressive speeches made by the delegates of the United Kingdom and Canada, against the amendment which the United States delegation has <sup>pro-</sup>posed. Therefore, I am most anxious to hear Mr. Eyans' considered opinion in his answer. In the meantime, Mr. Chairman, I would like to state briefly what we are really considering in this Article. We are particularly concerned with this Article insofar as it relates to export monopolies, that is paragraph 1 and sub-paragraph (a). While we do not object to the

general principle set forth in this paragraph, we do feel that the said provisions should only apply when a substantial proportion of the monopolised product in relation to the total production is consumed in the country of origin. That is, we consider that the provisions of paragraph 1(a) should not apply if the total exports of the monopolised product exceeds 90% of the total output. If such a high percentage as 90% of the total production of the monopolised product is freely exported, we do not see how any member having a substantial interest in the trade of the product concerned, could be affected if, as regards only 10% of the total production, domestic users are given price protection. We therefore would suggest that this proposal, which we consider entirely justifiable, be given full consideration when the Sub-Committee meets.

CHAIRMAN: The delegate of the Netherlands.

Dr. C.H. BOGAARDT (Netherlands): Mr. Chairman, I want briefly to reply to the observations made by the United Kingdom representative. He described the Netherlands amendment as having introduced a cumbersome element which would provide for very lengthy and perhaps not very useful discussions.

I might point out, Mr. Chairman, that if you want to have any negotiations at all as regards the maximum margin, I am afraid you have to resort to the multilateral method of negotiations. I mean this: all price stabilisation schemes work like that - that you fix the difference between a world market price and a stable inland price; that is to say that you must know the amount of the world market price and you must know your own stable inland price. If you do not know the limits between which the world market price can rise and fall it is absolutely impossible to fix your maximum margin.

I gave last session the instance of wheat. In this example the wheat price rose in seven years from 85 cents to 3 dollars a bushel. I think it is quite clear that it is absolutely impossible to fix any margin in view of the fact that the world market price is unstable like that, so I am afraid that, however cumbersome this element may be, you cannot avoid resorting to these means of negotiations.

CHAIRMAN: The delegate of the United Kingdom.

Mr. R.J. SHACKLE (United Kingdom): Mr. Chairman, if I may add just one word on the point raised by the Netherlands delegate:- In the first place we contemplate averaging over time. That is contemplated by the last sentence of paragraph 1 of this Article 32 - "regard may be had to average landed costs and selling prices of the monopoly over recent periods." We quite appreciate, of

course, that that would not mean absolute stabilisation. It would mean that your stabilisation would be a relative stabilisation by which, as the world price went up and down, your domestic price would, to some extent follow, but so to speak, the curve would be very much flattened. That was the conception we had in mind.

CHAIRMAN: The delegate of Norway.

M. T. OFTEDAL (Norway): Mr. Chairman, as stated on a previous occasion the Norwegian Delegation favours the New York draft of Article 32 with a minor change in paragraph 4.

Article 32 sets forth that state monopolies should negotiate maximum price margins for the products involved. Such negotiations will have to take place on the same basis for all kinds of monopolies, except that due regard should be had to the fact that certain monopolies are established mainly for revenue purposes as provided for in paragraph 4.

The Norwegian Delegation believes it to be of importance that the provisions of Article 32 take into account that monopolies may be established for purposes which are different in their scope. Some monopolies may be established solely for protective reasons. Others may be established for purposes which are of a non-commercial nature. The New York draft recognizes one such category namely revenue monopolies, as I have already mentioned. However there are others which should be recognized also, for example, monopolies established by a government in order to promote its social welfare policy. The Norwegian Delegation is of the opinion that separate rules should apply to monopolies of a non-commercial nature and that appropriate provisions should be included in Article 32 to this effect. We have therefore proposed an amendment where we suggest that monopolies established for cultural, humanitarian and social welfare

purposes should be included in paragraph 4.

To illustrate our point of view I should like to mention that we in Norway at present have two State trading enterprises, one belonging to the first, the other to the second category. They are the State Grain Corporation and the Wine and Liquor Monopoly; both of which were established by Act of Parliament.

The State Grain Corporation has as its main purposes the securing of adequate supplies and the protection of the domestic producers. It may be mentioned in this connection that Norway produces only about 20% of her consumption of bread grains and is therefore more dependent on grain imports than most countries. The protection to the domestic producers is afforded through paying them a higher price for their grain than the world market price. Another feature of the Corporation's activity is to stabilize the price of grain and the price of flour to the consumer and thereby also bread prices. The Grain Corporation has worked to our full satisfaction. However, we concede that the Corporation is protective in nature and we are prepared to negotiate for an average protective margin in accordance with the provisions of Article 32.

The Wine and Liquor Monopoly, on the other hand, cannot be regarded as a commercial protective measure as it was established for and is operated mainly for social welfare reasons.

There seems to exist in the Northern European countries a somewhat different attitude towards alcoholic beverages than in countries of milder climates, an attitude which other countries may have difficulty in understanding.

The free sale of alcoholic beverages created so many serious social problems that it became necessary to regulate the sale in some way or another. For the past twenty years such regulation has been done through the price policy of the Wine and Liquor Monopoly. If we should negotiate the price policy of this monopoly in accordance with the provisions of the New York draft, it would mean that the social welfare policy of Norway would be subordinated to its commercial policy, which would not be in the spirit of the Charter.

The solving of social welfare problems is very much in the foreground in the political life of the northern countries. I am speaking only on behalf of Norway, but when I refer also to the other northern countries it is because practically identical conditions prevail in Sweden, Iceland and Finland.

The Norwegian delegation raised the same question at the first session of the Preparatory Committee. What we propose is a minor change which as far as we can see would not weaken the Charter in any respect. To us this change is important, and the Norwegian delegation trusts that the Sub-Committee, which this section probably will be turned over to, will give the Norwegian proposal careful consideration.

CHAIRMAN: Before we hear the United States delegate I would like to say this is somewhat outside the discussion. I would like to finish the discussion of paragraphs 1, 2 and 3 in Article 33 before eventually taking a discussion on paragraph 4, where also the Czechoslovakian delegation has made a proposal.

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Mr. JOHN W. EVANS (United States): In asking for the floor, I intended to stick to the Netherlands amendment on paragraph 4, so that I shall be very glad to wait until later if you wish to clear up the earlier paragraphs.

CHAIRMAN: The delegate of Canada.

Mr. J. J. DEUTSCH (Canada): I wanted to speak also on the points raised by the Norwegian and the Netherlands delegates.

CHAIRMAN: Are there any further orators on paragraphs 1, 2 and 3?

MR. R.J. SHACKLE (United Kingdom): Mr. Chairman, I am not an orator, but I have a few things to say.

In the first place, I am inclined to think after listening to this debate that Article 32, particularly paragraph 1(b), may be rather too tightly drawn at present. It may be too narrow and too detailed in its terms, and I would therefore like to suggest for the consideration of the sub-committee that we might consider some rather broader formulation which, essentially, would run to something like this:-

We might start off by saying, rather in the terms of the opening part of the United States Amendment, that certain arrangements shall be negotiated for the purpose of limiting or reducing the protection afforded through the operation of the monopoly to domestic producers of the product. One would then go on to say that for that purpose Members shall negotiate on the relationship between the landed price of the product and, either one of two things - the price at which the product is re-sold to the home consumer, or the second alternative is the price paid to the home producer.

That brings up a suggestion which was made by the Canadian delegate on the last occasion when we discussed this matter: that the price to the home producer might be an alternative test to the price charged to the home consumer.

I would like to suggest that the sub-committee should think of some simplified formulation with those alternatives. I think we might very well omit a great deal of detail if we do that - details about subsidies, about profit margins, and so on. I would like to recommend that suggestion to the sub-committee.

There is just one other point that I would like to make and that relates to paragraph 3. The point of paragraph 3, as I

understand it, is not a rule for negotiating at all. It is a rule to be observed by the monopoly, and the idea of it is that the monopoly shall, broadly speaking, satisfy domestic demand. The point of that, as I understand it, is that if the monopoly does not satisfy domestic demand it will be in a position, as it were, automatically to apply quantitative restriction. It does not need to do anything beyond that. Therefore, I think it is necessary, if you are to prevent a kind of quantitative restriction being applied almost automatically by monopoly, to lay down that the monopoly shall satisfy domestic demand. That is how I understand paragraph 3, and I do not read it as bearing upon the process of negotiation. Thank you very much.

CHAIRMAN: The delegate of Canada has asked to speak. Is that on the same point?

MR. J.J. DEUTSCH (Canada): Yes. Mr. Chairman, at our last session it was thought by some that the requirement of Article 32, paragraph 1, where you have to negotiate the margin between the buying price and the selling price, was somewhat too restricted, and in that connection I suggested at the same time that we might include also the margin between the buying price and the price paid to home producers. I felt that if that addition were made it would take care of many of the technical difficulties that are associated with negotiating the margin between the buying price and the selling price, and for that reason I very much support the definite proposal that has now been made by the Member for the United Kingdom.

I, like him, feel that with that addition the provisions of this paragraph will take care of the technical difficulties that have been raised, and I, like him, agree that this matter should

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be closely examined by the sub-committee.

In saying that, I realise that this does not include a number of the provisions of the American proposal, namely, the negotiation of the total quantity, or the negotiation of any other method, and that it is not including Mr. Shackle's proposal. It is those two aspects which I took particular objection to, and I still maintain my objection to the introduction of the negotiation of quotas in this section for the reasons stated the other day. Mr. Shackle's proposal would retain this paragraph as an exact parallel, or a parallel, to the tariff negotiations, which is what we should try to do here. Mr. Shackle's proposal would maintain that parallel.

Furthermore, in respect of paragraph 3, I also agree that in this we have a paragraph containing the principle enunciated here - State-trading organisations could automatically use quantitative restrictions by simply adjusting their purchases according to the quantities which they wish to import.

That means that they are at liberty to use what is equivalent to a quantitative restriction.

Now quantitative restrictions are ruled out with respect to items in which State-trading does not take place. That is, ruled out in so far as the exceptions are not applied; and we feel that if the proper balance is to be maintained in the Charter, the use of quantitative restrictions must apply equally regarding State-trading enterprises. For that reason we also feel we need something along the lines of the present paragraph 3.

Thank you, Mr. Chairman.

CHAIRMAN: The Delegate of Australia :

Mr. McCARTHY (Australia): Mr. Chairman, the problem one finds in examining this particular article or Section is the endeavour to introduce something which will take the place of the negotiations on tariffs in the one case, and the quantitative restrictions in the other; and we feel that in Article 32 the best that can be done pretty well has been done. We can see that in certain transactions it will be possible to negotiate margins, that is, margins between the landing cost of the imported goods and the price at which they are distributed - the values at which they are distributed relative to the values of the home-produced goods; but in others it will be

extremely difficult, and the more detail you put in, and the more criteria you endeavour to set down, we think the greater difficulty you will have in getting a result.

I think it is quite conceivable, in the case of wheat, for instance, or sugar, or butter, that a long-term contract between sellers, or a seller and a State trader importing, could be negotiated pretty thoroughly, even though the mixing of the home produced product with the imported product is quite extensive. There you have got a standardised criterion and it will be possible to trace the margins, identify them, and then possibly negotiate them; but there are other products which after landing go through various processes and where the actual capacity to compare those products with the competitive products within the country is extremely difficult.

Meat, I believe, would be quite difficult; because you have got different classes, you have got the different processes, and the replacement of some form of comparison between the stages which the meat goes through between the imported product and the home product, or the replacement of any such processes by other processes, would be extremely difficult; so therefore we rather take the view that Article 32 should stand with certain Amendments on the lines of making clear to the objectors.

If it is stated clearly what is desired to do, to actually replace any other protective measures that stand in the case of a private transaction by such an examination as will enable the margins of difference to be negotiated, then I think it will be found, according to the different products, that a quite different process of examination will be imposed, and you will be in the position of doing the best you can.

Now the suggestion of Mr. Shackle and Mr. Deutsch - the comparison of the imported price with that of the home produced article - would be, I think, quite applicable in some cases. In others, it would be found difficult.

Also, the other point mentioned, that of, I think, the prices at which the product is re-sold to the home consumer, would in some cases be easy and in other cases difficult.

The next other point we wish to mention is the suggestion by the American Delegation: the total quantity of a commodity which the Member maintaining a monopoly shall agree to import from all sources. We find difficulty in seeing the point in that, and in seeing that it would be of any great value, unless you have a thorough-based arrangement on quotas.

The interest of a country selling to an importer would be in the quantity which he wished to sell himself, if he were dealing in quantities. If he were able to sell all that he had to sell, he would not be very interested in the total imports of that country. If, however, the importing country said, "Well, we cannot take any more from you than the hundred thousand units or whatever it was because of the requirements, or the quantities that we want to take from somebody else, the seller then would be interested in saying, "But what are your total imports?". The next point would be, having arrived at that, what has happened to the balance; and the balance would be that sold by other countries. So there I think you would depart entirely from the bilateral element in the transactions visualised in this, and go into the multilateral field.

That takes you to the Netherlands idea of employing the provisions of Chapter VII. There, I think, you are undertaking something which would have to be very carefully worked out. Chapter VII, as it stands now, would, to my mind, hamper very much the activities of state traders: so much so, that I think it would be found that they would either have to depart from their state trading or declare their inability to meet the conditions of Chapter VII. It does not follow at all that there is not something in it. In fact, the negotiations which recently took place on wheat indicate how far state trading can be introduced into<sup>a</sup> Chapter VII agreement, but, without going into the details, it would take a long time.

I think it can be said that wheat is an exceptional case. It is exceptional in its susceptibility to an international arrangement, and in the fact that, at the present time, importers are more eager than they normally are to commit themselves so far ahead; but the arrangement which was recently discussed and carried well forward in draft form would really amount to a multilateral state trading transaction. However, the detail that was covered in those negotiations indicates that it would not be practicable to cover many state trading transactions by a multilateral agreement under Chapter VII.

Our conclusion, then, would be that this suggestion which is in the American proposal to negotiate totals does involve rather closely the negotiation of quotas over a number of countries, and that could not be done except by a detailed multilateral negotiation, which we think is not contemplated under this Chapter and would not be practicable. If it were introduced into Chapter VII, then Chapter VII would have to be amended to remove or adjust some of the conditions already laid down.

CHAIRMAN: There are two speakers on paragraphs 1, 2 and 3, and three speakers on paragraph 4, and we must finish our work today, so I hope all the Delegates will be as short as possible. The first speaker is the Delegate of China.

Dr. T.T. CHANG (China): Mr. Chairman, we have not yet taken up the Chinese proposal in connection with paragraph 1, Article 32. Do you think we could discuss it now? If so, we shall proceed with the explanation of our proposal, which is to delete, in the first sentence of sub-paragraph (a), part of line 15,<sup>lines</sup> 14, 15 and part of line 16, which read: "to limit or reduce the protection afforded through the operation of the monopoly to domestic users of the monopolised product or..." We propose to delete these words because we feel that it is already provided in this paragraph for arrangements designed to assure export of the monopolised product in adequate quantities at reasonable prices. It should be equally sufficient for our proposal here, and there appears to be no need or justification to interfere in matters of purely domestic concern, as more of that will only complicate matters and make negotiations between the members concerned considerably more difficult. Therefore we think that the lines in question are not necessary, and that it is desirable to delete them. Now, may I say a few words in connection with the question of margin. Much was said last Friday and today both against and for the inclusion of the margin in this Article. Just now I do not have very strong views on this question. However, should it be finally decided to retain these lines in this Article in connection with margins, we would like to see a reference made regarding a margin of profits. In the London Session it was considered desirable to make allowance for a reasonable margin of profits, and we would like to see the London position maintained.

Mr. L.C. WEBB (New Zealand): Mr. Chairman, I think this is an appropriate time to say that we support the Czechoslovak delegations draft of Article 32, because it seems to us to have the benefit of establishing a procedure which is in conformity with economic reality and administrative reality. We feel that this attempt to establish

here an exact parallel to the tariff negotiations is pursuing the idea of equity to a rather unreal extreme. We seem to be in the position of people who built a stable to accommodate horses and were suddenly faced with the problem of accommodating elephants, and we decide that equity is the only way to treat the elephants the same as horses. It seems to be ignoring the facts of life. We feel that in some case the procedure of negotiating margins may be possible. It is equally demonstrable that in other cases it is just not possible. In connection with Article 32, we are also worried by another point and it is roughly this, that very often where you have state trading monopolies the operation of those monopolies enters very intimately into domestic policy, and the instance we have in mind concerns (a) in paragraph 1, which imposes an obligation in the case of an export monopoly to negotiate regarding the protection which may be afforded to the operation of a monopoly to domestic producers of the monopolised product. Now we have certain export monopolies which both export and supply the local market, and we also have an overall system of price control which is particularly designed to stabilise the cost of living, and on that policy or basis of stabilising the cost of living we base a wages policy, and on the whole it works very well. Now, it seems to me that we will be involved in a negotiation which may have serious consequences on our whole domestic stabilisation policy and our wages policy because the principle which operates throughout price control with us, is the principle that the producers of the commodity for the local market are entitled to the cost of production in a reasonable margin, and we feel that there would be very great difficulties in any system which involves - as this system seems to involve - the price of the commodity on the local market following overseas prices, even though, as Mr. Shackie said, the curves in the case of the local market might be somewhat flattened. In many cases since the abandonment of wartime price controls, prices in the world market for certain commodities has gone up to somewhere about three times the domestic price of the commodity in New Zealand.

and we would find it very difficult to contemplate a step which would in effect involve allowing fluctuations in overseas prices, very often very violent fluctuations, to upset our whole price stabilisation policy.

I would like in conclusion just to ask one question, Mr. Chairman, and that is a question in relation to Article 31. I merely wish to ask whether it is proposed, as apparently it was originally proposed, that this Commission should discuss the joint draft of Article 31 which I understand is being prepared by the Czechoslovak and American delegations, or whether it is proposed to send that directly to the Sub-Committee without further discussion here.

CHAIRMAN: In reply to that question, I would say that this joint proposal has not yet been sent to the Secretariat and, as we shall probably not have time today, even if we had it distributed today, to discuss it, I propose that it should go direct to the Sub-Committee, but should be distributed to all the delegations as an ordinary Preparatory Committee paper, so as to enable any one of them who might be interested to appear before the Sub-Committee when the question is discussed there.

The delegate of the Netherlands.

DR. C.H. BOGARDT (Netherlands): Mr. Chairman, I associate myself with the words of my New Zealand colleague when he said that this Article constituted a very considerable interference in internal affairs.

The Netherlands, just like New Zealand, has a stabilisation scheme which attempts, by controlling inland prices, to control the cost of living and wages. Therefore, Mr. Chairman, I think the Australian delegate is wrong when he said that the procedure laid down in Chapter VII would prove extremely difficult for stat-trading countries. I cited the instance of the Wheat

Agreement we tried to conclude in London. One of the main items of the Wheat Agreement was to stabilise the wheat price at a certain level. Therefore, if we had succeeded in coming down to an agreement we should have contemplated fixing a maximum margin, that is to say, to fix the difference between the world market price and the stabilisation inland Netherlands price. Furthermore the Australian delegate remarked that only for wheat would the multilateral negotiations and commodity agreements prove successful. I wish to draw your attention to the Agreements on tin, rubber and sugar. The Sugar Agreement contains many provisions which you can find also in Chapter VII. Moreover, the Netherlands and the overseas territories, both state-trading territories, participated with much pleasure and much success in the operation of that agreement.

As regards the provision about average landed costs, to which my British colleague referred, I think that as long as the limits between world market prices are so wide, it is not worth while to fix a maximum margin, which must reflect this fluctuation on the world market.

Moreover, we advocate that a study of the roots of the causes to which this excessive fluctuation is due should accompany these negotiations.

This all can be embodied in a commodity agreement which provides for reasonable prices for consumers and producers alike.

I think that the troubles of this unhappy world are caused by instability of prices and economy which has reflections on all aspects of human life. One of the means to alleviate this burden, we have in the commodity agreements. The commodity agreement disposes, at one and the same time, of all questions about subsidies, countervailing duties and so on.

To finish, may I once more draw your attention to the same procedure as proposed in our amendment, laid down in Article 33.

CHAIRMAN: I call on the delegate of Chile. We have one more amendment to take and I hope it will be the last.

Mr. J.A. MUNOZ (Chile): I would like to add a few words only. I understand the sub-committee on Chapter VII is dealing with this question of the reference of Section E to Chapter V. We are even playing with the idea of eliminating any reference at all to the section in Chapter V; I therefore think we should discuss here the nuance between these two things, and it would be much better left to the sub-Committee to see what happens after the deliberations of the sub-Committee on Chapter VII, and what conclusion they arrive at.

CHAIRMAN: The delegate of Czechoslovakia has something to say.

Mr. B.J. BAYER (Czechoslovakia): As at the previous meeting of this Commission I gave a broad outline of the general position of my country with regard to Article 32, I do not wish at this stage to make a long comment and go into many details which otherwise might be desirable in order to support the amendment we submitted in document no. W/187. On the other hand, I wish to say that the provisions contained in Article 32 are very important for my country. That is why we have gone into them, and that is why we want to have the provisions contained therein as clear as possible, and in the first place, more adjusted to realities, and more fitted to face the present problems.

It has been pointed out earlier in this discussion that under many circumstances it is not practicable to negotiate a margin between the landed costs and the selling price. I will mention only the reasons the delegation for the Netherlands and the delegate for New Zealand gave this afternoon. We are facing the same problems with regard to negotiating the margin in those articles which are

subject to a price stabilisation policy at home.

I will point out some other difficulties. We have, for instance, a monopoly on cinematograph films in my country. I can hardly imagine how a monopoly of films could negotiate a margin in between the landed costs and what might be the price of the tickets to the consumers, the visitors to the performance.

We have amplified the text of Article 32, a text which consists primarily in the provision to assure export or import of the monopolised products in adequate quantities at reasonable prices. We have also in this connection drawn the attention of the Preparatory Committee to a statement made recently by the International Chamber of Commerce:

"This Article, by attempting to establish principles for the price policies of State monopolies of individual products, enters into a very difficult and controversial field, and establishes rules which will inevitably become the object of future controversy. The International Chamber of Commerce considers it preferable to limit the Charter's provisions concerning the behaviour of State monopolies of individual products to simple general rules leaving the detailed interpretation and administration of those rules to the I.T.O. itself."

You are very well aware of the difficulties which may arise in the future and the possibilities of controversy.

We have studied the amendment submitted by the United States delegation, and although we are not in a position to commit ourselves at present as to our position with regard to the whole Article 32 as proposed by the United States, we may say that we are in favour of the substance contained therein, because the underlying idea is the same as the idea which governed our own amendment.

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I may take this opportunity to answer the question raised by the New Zealand delegate with regard to the proposed joint amendment of Article 31. We have discussed Article 31, but we were not so far able to submit a complete draft. We thought that, with the permission of this Commission, we may submit it to the sub-committee as you, Mr. Chairman, said it would be distributed to all the members of the Preparatory Committee.

CHAIRMAN: This closes the discussion on Article 32, paragraphs 1, 2 and 3.

MR. J.W. EVANS (United States): Mr. Chairman, I am sorry but earlier I asked for the floor and relinquished it because I thought that paragraph 4 had not yet been reached..

CHAIRMAN: We have not reached it yet.

MR. J.W. EVANS (United States): I am sorry, but I thought you said we had finished the discussion on Article 32.

CHAIRMAN: No, only paragraphs 1, 2 and 3. We now pass on to the consideration of paragraph 4 and the first speaker is the delegate of the United States.

MR. J.W. EVANS (United States): Mr. Chairman, under the circumstances, I should be extremely embarrassed to re-open the discussion on earlier paragraphs, so that some remarks which I would have made about recent discussions on the American amendment I will reserve for a later date.

I do want to speak though to the Netherlands delegation's proposed amendment to paragraph 5. It seems very difficult for us to see what part Chapter VIII could possibly play in the kind of negotiation which is contemplated in Article 32. As we understand

Article 32; its intent is to set up an obligation on the part of the country which maintains a state trading enterprise to negotiate in a manner which would be comparable with the negotiation required of a country with private trading with respect to tariffs. Presumably, that visualises a situation in which a exporting Member would like to see the conditions in the importing country for the importation of his products improved.

It seems to us to be a situation which is definitely bilateral; a situation in which the principle supplying country has something to ask of the importing country concerned. The only difficulty involved, presumably, is the difficulty created by any impediment which the importing country may have placed on the free importation of the product of the exporting country.

That does not seem to us to be at all the kind of difficulty that is contemplated in Chapter VII, nor does the procedure of Chapter VII involve a very long drawn out and elaborate procedure for developing the interests and the views of all exporting countries and all importing countries of the commodity concerned. It does not seem to be in any way appropriate for the type of negotiation contemplated here.

Our difficulty, though, is more than simply that logical one. If there is an obligation on the part of the importing country to negotiate, it seems to us that that obligation would be very seriously diluted and impeded if, by the simple device of suggesting procedures under Chapter VII, the importing country could postpone doing anything for an almost indefinite length of time.

We feel, furthermore, that in those cases where there is a genuine problem of the kind for which Chapter VII has been drawn up there is no necessity for any mention of it in the State Trading Articles of the Charter. Chapter VII, internally in its own terms,

would permit the opening of the kind of discussion which apparently the Netherlands delegation has in mind.

Therefore, the United States delegation would object to the introduction, not only of this specific amendment suggested by the Netherlands delegation, but to any variation on that amendment which would tend to transfer the negotiation contemplated in Article 32 into the procedures contemplated in Chapter VII.

CHAIRMAN: The Delegate of the United States said some time ago he wanted to speak on the Norwegian proposal.

Mr. EVANS (United States): If I did, Mr. Chairman, I think I must have misspoken, and had in mind the Netherlands Amendment.

CHAIRMAN: I thought so.

The Delegate of Canada also wanted to speak on the same subject.

Mr. DEUTSCH (Canada): I wanted to speak, Mr. Chairman, on the Norwegian proposal. That is in order?

CHAIRMAN: Please.

Mr. DEUTSCH (Canada): I think the Norwegian proposal is in principle a logical one, and for my part I would support it in principle and hope that the Sub-Committee will look into the matter of the exact wording.

I am not entirely happy about the exact wording here, but I think the main point he wishes to make is acceptable to us.

CHAIRMAN: Does the Delegate of Czechoslovakia want to speak on the same paragraph?

Mr. BLYER (Czechoslovakia): Mr. Chairman, I do not want to add much to what has been said with regard to the proposed amendment of paragraph 4, in the light of the Amendment made by the Delegation of Norway.

I may say that we have been led more or less by the same considerations in submitting our own Amendment, In our view, the paragraph 4 does take due regard of the fact that some monopolies

that have been established are being operated mainly for the purposes other than economic. We think, therefore, that beside the revenue purposes, which are the collection of taxes Sir, other purposes - with regard to culture, national health, and so forth - might be put on the same level.

Of course, we are aware of the fact that the final outcome of paragraph 4 might depend upon the solution of the first three paragraphs.

Thank you.

CHAIRMAN: The Delegate of the Netherlands.

Mr. BOGAARDT (Netherlands): Mr. Chairman, perhaps I may refer very briefly to the Netherlands Amendment. I know that you closed the discussion, but I hope you will give me the opportunity to answer very briefly.

I must deny, Mr. Chairman, very strongly, that our Delegation tries to obstruct the negotiations about tariffs. I think it is a more or less serious charge against our country, which tried to conform as much as it could to the rules of procedure laid down for tariff negotiations.

We are perfectly happy to negotiate, but we find it impossible to negotiate about price margins, which cannot be defined, because one of the necessary factors is lacking.

This factor can be provided by a commodity agreement. Furthermore, negotiations on a bilateral base imply a tremendous lot of negotiations, as not only the principal supplier but all suppliers have to negotiate about a margin, as all prices have to be increased to the existing general inland prices.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHACKLE (United Kingdom): Mr. Chairman, I would just like to say a word about the Norwegian Amendment. It does seem to us in its object it is entirely right. It does occur to us that possibly the same Amendment rather bears on Article 37 - the Exceptions Article - which already has some exceptions concerning the protection of public health and morals, and that that might conceivably be more appropriate than this Article; but we think the obvious principle of the Norwegian Amendment is certainly right.

CHAIRMAN: The Delegate of Chile.

Mr. MUNOZ (Chile): Mr. Chairman, I concur with the remarks made by the Delegate of Canada. As regards the Norwegian Amendment, I think it is a very good and useful one, but again I feel it could be left very safely in the hands of the Subcommittee.

CHAIRMAN: This, I think, terminates the examination of Articles 31 and 32, and I propose, after having heard the views of certain Delegates, that we should appoint an ad hoc sub-Committee for these two Articles alone and another sub-Committee for Article 33. As members of this sub-Committee for Article 31 and Article 32, I would suggest the Delegations of Czechoslovakia, the United States, Canada, Norway, France and the United Kingdom; and I would like to add that everyone who feels interested in the work of the ad hoc sub-Committee is, of course, free to attend and to explain his viewpoint in the sub-Committee.

The Delegate of Czechoslovakia.

M. B. J. BAYER (Czechoslovakia): Mr. Chairman, I understand that the New Zealand Delegation is interested in the provisions of Articles 31 and 32. May I suggest that this Delegation, if it wants to, be added to the list of members of the sub-Committee?

CHAIRMAN: The Delegate of Chile.

M. J. A. MUNOZ (Chile): Mr. Chairman, I do not know whether I am in order or not, but we have presented an amendment to Article 31, paragraph 3, and we are really also very interested in both Articles 31 and 32. Therefore, I am sorry, but I would like to propose ourselves to be on the sub-Committee; otherwise it is going to be very difficult for us.

CHAIRMAN: Well, I have, of course, no other interest than to keep the sub-Committee as restricted in membership as possible; but, on the other hand, I quite appreciate the desire of those who have presented amendments to be members of the sub-Committee.

With regard to New Zealand: the New Zealand Delegate is particularly interested in Article 33, and if I should then be in the Chair I will certainly propose his Delegation as a member of the sub-Committee for Article 33. Whether the New Zealand Delegate has any real interest in being a member also of the sub-Committee for Articles 31 and 32, I cannot tell. His Delegation will, of course, always be entitled to send somebody to attend the sub-Committee and to express his views on a footing of complete equality with other members. My own conclusion in order to keep the sub-Committee down to reasonable limits, would be to add the Delegate of Chile, but not the name of New Zealand, for the reasons I have explained. May I ask the Delegate of New Zealand whether that suits him?

The Delegate of New Zealand.

Mr. L. C. WEBB (New Zealand): Well, Mr. Chairman, you put me in a difficult position. I would say immediately that we are very keenly interested in Articles 31 and 32 for the obvious reason that practically the whole of our export trade is conducted by the method of state monopoly. However, I realise the extreme difficulty you are in, and I would like to make just one observation which I think might, perhaps, find a way out.

I have had some experience of acting as an observer at the proceedings of a Committee, and I hope it will not be interpreted as a criticism if I say that, in fact, although we receive every possible assistance from the Chairman and the members of the Committee and from the Secretariat, nevertheless the way most Committees are functioning at the present time, I think, it has to be said that an observer under present circumstances

is at a very considerable disadvantage, owing to the over-crowding of the rooms and the frequent fact that full supplies of papers are sometimes available to members of the Committee but not always readily available to observers; and I was wondering whether, in view of the very keen interest there is in this particular Article, it could not be arranged for the Committee to meet in rather more comfortable circumstances. To mention just one point: observers at a Committee meeting usually have to sit along the wall, they have no table to work at, no table for their papers. I would be quite happy if those physical disadvantages which affect the work of observers could be overcome.

CHAIRMAN: The Delegate of New Zealand said that I was in a rather difficult position. I am not, because I am in the hands of the Commission, and if the Commission will, as an exceptional measure, agree to set up an ad hoc sub-Committee that is somewhat larger than usual, I think it would be very easy to add the name of the New Zealand Delegate to the list of regular members. We may defend it, because really this has proved to be a very important and very difficult matter. We have discussed it at the whole of the meeting of the 19th, the whole of the meeting of the 20th, and now for two-and-a-half hours today, so I think that is justification enough for setting up a sub-Committee on which all the most interested Delegations are represented.

Is that agreed? (Agreed)

We now pass on to Article 33.

The Chair was now taken by M. MAX SUTTENS (Belgium) in place of Dr. E. COLBAN.

CHAIRMAN (Interpretation): Now we pass on to the discussion of Article 33: Expansion of Trade by Complete State Monopolies of Import Trade. I will remind the Commission that the Drafting Committee did not discuss this Article at the First Session in London, but left it for a later stage. We have three amendments on this Article; by the United States delegation proposing to delete this Article; by the Czechoslovak delegation; and finally an amendment by the New Zealand delegation. I will give the floor in succession to these three delegates. First of all the delegate for the United States.

Mr. JOHN W. EVANS (United States): Mr. Chairman, our proposal that Article 33 be deleted is necessarily closely related with our proposals for Articles 31 and 32. The Canadian and the United Kingdom delegates have indicated, with a good deal of force, a great many objections to the negotiations of global purchase commitments in individual products, and it has been our feeling for some time that those arguments can be applied even more forcibly to the sort of negotiation that was contemplated in the draft of Article 33, and that was <sup>the negotiation</sup> by the importing country of all of its imports from member countries. We felt that it was not a practical provision - not one that could be very useful. I think, judging from the discussion of our amendment to Articles 31 and 32, that there will be very substantial changes made particularly in Article 32, some of which at least, I am sure, will be proposed by ourselves. But if Article 32 retains one basic principle which we attempted to write into it, and that is a provision for some additional sort of negotiation, at least an additional negotiation different from the one on marginal mark-up, in those cases where the nature of the

importing countries and the nature of their economy is such as to make the marginal mark-up unworkable and ridiculous, then we feel that there is no further necessity for an Article 33.

Mr. B.J. BAYER (Czechoslovakia): Mr. Chairman, we have actually made no amendment with regard to the proper text of Article 33. We had already the opportunity to state that we are not having the complete monopoly of foreign trade, and our domestic economy is not concerned by the text of Article 33. At the same time, we expressed our view that the text of this Article might be dealt with at a time when the countries complete monopoly of foreign trade and likely to be members of the organization, might be present. I wonder, Mr. Chairman, whether I should comment now on the amendment which is listed in the document 198, page 12, or should I refer to it later on.

CHAIRMAN (Interpretation): I would prefer that the Czechoslovak delegation make their comments now on the text of their amendment.

Mr. B.J. BAYER (Czechoslovakia): Mr. Chairman, we suggested that, in connection with Articles 31 and 32, the following lines be added: "If representations according to Article 35 are made in respect of state trading operations, the member may withhold confidential information, relating to its national security or which, if disclosed, would materially damage the legitimate interests of the enterprise concerned". As the delegates will remember, there is nothing which has not been discussed in the course of the Sessions. It was talked over in London, and first of all it was included in Article 31. It was during the conference of the Drafting Committee in New York that it was decided to transfer it from Article 31 to Article 35, and finally it did not remain fully in Article 35. I can only say we feel very strongly about its inclusion.

CHAIRMAN: I call upon the delegate for New Zealand.

Mr. L.C.WEBB (New Zealand): Before I state the case for our amendment, I would like to refer to the suggestion of the United States delegation that Article 33 be suppressed. We opposed that suggestion but not because Article 33 is one on which we have chosen to 'hang our hats'. Our chief delegate, Mr. Nash, referred to this matter in a speech which he made before the Executive Session, and I can only say that our view is that this Charter should make it perfectly explicit and not merely inferential, that a country which maintains a complete State trading monopoly is a country which may enter the International Trade Organisation.

As to our own amendment, it is obviously the most important amendment which the New Zealand delegation has to propose at this Conference. Before his departure, Mr. Nash explained in general the nature of our problem and the nature of our economy, and the sort of accommodation we desired in the Charter. I wish to add some words to that.

In its present form the Draft Charter has in our view serious gaps. At the one extreme it provides for a system called liberal trade, and at the other extreme it provides for a complete monopoly of foreign trade. In between it provides for nothing. There is no provision in the Charter for a country like New Zealand-which desires to plan its trade according to its own desire,-to establish a complete State monopoly. We have been told the reason for that is that controls are of their nature restrictive, and that of all controls the quantitative restriction is the most restrictive. There are two answers to that proposition. If this is true, we ought to be consistent and shut out a country which maintains a complete monopoly of its foreign trade, because there is quantitative restriction operating in its most extreme and complete form.

The main argument that the proposition is inherently restrictive is not true; it is merely an analysis of cause and effect. Quantitative restriction came in during the economic depression of the thirties and was the result and not the cause of that depression. Furthermore, this Charter not only admits, but says that control can be used for the expansion of world trade. The whole of the Chapter on International Commodity Agreements is a Chapter providing for the expansionist use of controls, or, at any rate, it contemplates the expansionist use of controls. In particular, it contemplates the expansion and use of the method of quantitative regulation.

We believe, and our belief is supported in Chapter II B of this Charter, that the volume of world trade does not depend primarily on whether tariffs are high or low, or on the method by which States organise their trade. It depends on whether the peoples of the world want to buy goods and can buy them. In the language of the Charter it is "effective demand which determines the volume of world trade", and if there is a collapse of effective demand then the abolition of trade barriers, as they are called, will have no effect whatsoever. The key Article in this Charter is, after all, Article 4, paragraph 1 of which says: "Each Member shall take action designed to achieve and maintain full and productive employment and high and stable levels of effective demand within its own jurisdiction through measures appropriate to its political, economic and social institutions."

I want to call particular attention to the method by which the Charter enjoins us to maintain effective demand. In Article 3, paragraph 2, we agreed that the maintenance of effective demand must depend primarily on domestic measures and later we say that those measures should be appropriate - indeed, we say they must be appropriate to the political, economic and social institutions of the Members concerned.

This seems to me to mean, and I think it should mean, that Members pledge themselves to attempt to reach certain objectives, and are left free to carry out their pledges by the methods suited to their particular circumstances and internal organisation, provided those measures do not injure the interests of other Members. That seems to me to be sensible and to support a statement made by Mr. Wilcox which has been discussed before at these meetings, the statement that the I.T.O. does not impinge upon the sovereignty of Member States.

But when we come to examine the practical effect of the Charter, we find that in the case of certain economies - and our own economy is an example - the liberalism of Chapter III as to methods is completely contradicted. A country which sets out to achieve high levels of effective demand and full employment by planning its trade, is told that it must abandon that system or not join the International Trade Organisation. Yet we are told that the International Trade Organisation has no powers which impinge upon the sovereignty of the Member States. Now there can only be one valid reason for the Charter's absolute rejection of quantitative regulation as a normal instrument of economic policy. That reason could only be that when a country uses that method, they are in fact using a method which makes it impossible for them to achieve the objectives of the Charter.

Then, if anyone is prepared to maintain that point, we would ask to be judged by results. New Zealand was practicing and preaching the theory of full employment and high levels of effective demand before this Charter was even a project. We have gone further in the application of that theory, we believe, and we have learnt more about the practical problems which are involved in carrying out that theory than most countries which are represented here. I do not say that as a matter of self congratulation, it merely happens that very often a small country has much better opportunities for carrying out social experiments than larger countries. Controls are, on the whole, easier to administer, and the effects easier to observe. I would say that as far as the commitments of the Charter concerning effective demand and full employment, which I think most of us recognise to be the critical commitments in the Charter, are concerned, we know, Mr. Chairman, that we can carry out those objectives.

If we turn to the other main objective of the Charter, which is the promotion of international trade, then I have only one thing to say:- In proportion to our size, we are the world's best trader. In setting out the objectives of this Charter, we have rightly placed first the achievement of higher standards of living, full employment and conditions of social and economic progress, and we feel entitled to say that our type of economy is already making a contribution to the realisation of those objectives, and it seems to us that it is going to be a very strange and, indeed, a devastating irony if this Charter is going to be so framed as to exclude us.

Now, it has been suggested, Mr. Chairman, that we are being a little difficult in forcing this issue in this particular way. We have been told that if we would look at the escape clauses we

would find that, in fact, we are accommodated, and in particular we have been invited to look at the balance-of-payments provisions in Article 26. Now, we have looked very carefully at article 26 and we have come to the conclusion that this is not our approach. We have rejected that approach because it does not seem particularly honest or in the best interests of the International Trade Organization. The balance-of-payments provisions do not accommodate, I think, except by subterfuge, an economy of our type, and on that point I would refer to the London Draft on page 12, where the objectives of Article 26 are quite clearly set out.

Mr. Chairman, we desire to come into the International Trade Organization by the front door. We do not desire to climb in by a back window which is sometimes rather insecurely locked. That is why we put our amendment where it logically belongs, into that part of the Charter which provides for the type of economy whose trade is completely in the hands of the state, and in seeking a place for ourselves there, we have kept in mind, as we believe the idea that has very often been enunciated here - that in this Charter we must have a balance of obligations.

This amendment would impose on economies which control their foreign trade completely, the obligation to expand this trade in accordance with the purposes of the Charter, and what we mean by that is made clearer in the later clauses. Briefly speaking, states who wish to avail themselves of the provisions of this amendment must pledge themselves to make available for imports in any given period the whole of the balance of the current proceeds of their external trade, after making due allowance for what are called invisible items. We provide further that there must be consultation with the Organization as to the period. We have said that we would be willing to take a period of a year, but we think

that it would be, perhaps, wiser to specify some longer period. We have also agreed that there should be consultation with the Organization in order to determine what is a reasonable level of monetary reserves. Finally, there is a provision against discrimination and the sources of supply of imports, and also a requirement that Members controlling their foreign trade should have due regard for the interests of other Members. Paragraph 2(b) makes clear that a Member considering it self adversely affected by the operation of these controls in the terms of this Article can avail itself of the very adequate remedies which are laid down in Article 35.

Now, Mr. Chairman, we regard these obligations - and particularly those in paragraph <sup>2(a)</sup> and sub-paragraphs <sup>(i)</sup> and <sup>(ii)</sup> of our amendment - as being weighty obligations. We think that they are weightier than most of the obligations which are imposed in other parts of this Charter. We think that they are weightier than the obligations imposed on countries which, through their persistently favourable balance-of-payments, are creating difficulties for world trade in general.

We believe, also, that an expansion in the use of controls, such as is contemplated in our amendment in conjunction with the other obligations assumed under Chapter III, can be a very powerful factor in the expansion of world trade.

Now it has been objected that the provisions which we seek to insert in the Charter are capable of misuse and will open a way for other Members to escape from the obligations which they have assumed.

Now I do not believe that is true. But I will confine myself for the moment to one observation.

This Charter is not a set of iron-clad rules. There are escape clauses all though it, there is not a single general rule which has not a string of escape clauses attached to it; and any State which joins the Organisation in bad faith will if it wants to find a way of evading its obligations. If the Organisation does succeed, it will not be because it can compel members to obey the rules of the Charter. It will be because the great majority of the Members realise that by carrying out their obligations they are, in fact, promoting their own best interests. I would say this in conclusion. We have come deliberately, and as a result of experience, to the conclusion that the objectives which have been written into this Charter, which have been also for years the objectives of our own national policy - that is, full employment, high levels of effective demand and economic development - seem to us to require some degree of State planning of economic activity.

Now I do not presume, Mr. Chairman, that this Conference would consider writing into the Charter a complete veto on all forms of economic planning. If we did that we would make ourselves absurd, because we would be doing something which runs clean counter to the whole trend of economic development throughout the world; but I suggest to this Conference that we are doing something even more absurd, or in danger of doing something even more absurd, than writing in a

complete ban on economic planning.

We seem to say in this Charter - we do say in this Charter as now drafted - that it is permissible to plan your economy as long as you stop short of planning your external trade, and I believe, Mr. Chairman, that that is an absurdity which ought not to be tolerated, and will not be tolerated.

Thank you.

Mr. B.J. BLYER (Czechoslovakia): Mr. Chairman, in the course of the immediately preceding meetings of this Commission, we already had the opportunity to explain in broad details the objectives we are having in mind, while looking for a solution of the problems contained in the whole Section E of Chapter V. We did not want to hide the fact that the way we shall be able to solve them is of great importance to us as we have to consider them fundamental for our economy.

In our mind, the constructive work of the Preparatory Committee can be seen in the common aim of all of us to achieve a universal draft of a Charter, a document which would have full regard to various economic structures, problems and systems of all countries. There is, therefore, the general intention of all of us to make the Charter a perfectly balanced document, a document which would harmonise the various interests of the members and thus make it acceptable to all of them. We think that this is the only way to create such an instrument for the conduct of the world trade in the future which we all desire to have. It seems to us, therefore, quite clear that the Charter should be such as to enable all states, whatever their political, economic and social structure might be, to co-operate peacefully and, through the expansion of foreign trade as well as through the other means contained in the Charter, attain the purposes which, as we all know, are stability in world economy, high and still rising levels of living and full employment of inhabitants.

Having this in mind, we think that the Charter should neither impose excessive burdens upon any country and thus force it to fundamental changes in its economic or social structure, nor bring about unjust advantages to other countries. It is for this main underlying idea of the Charter, that we consider the amendment made

by the delegation of New Zealand a very good contribution towards the improvement of the Charter with regard to the aim we have already mentioned, and which is to create a well-balanced document, fair to everybody and liable to survive for years to come. We think that this amendment deserves that a special attention be given to it when all its aspects, in full details, will be discussed in the particular Sub-Committee.

While dealing with this amendment in the particular Sub-Committee, the Czechoslovak delegation will be glad to give all the necessary explanation with regard to its own views on the merits of the New Zealand amendment.

Mr. JOHN W. EVANS (United States): Mr. Chairman, the Brazilian delegate has mentioned the reason for choosing this particular part of the Charter for the introduction of their amendment. I confess that I am still puzzled as to the precise effect of the proposed amendment in this place. It clearly does not relate directly to state trading, but I gather it has been placed in Section E because of the certain analogy between the countries which completely control their trade and a similar control which could be exercised by countries which carry out all of their commerce through state enterprise. I think, though, that our understanding of the proposed amendment would be improved if it were considered in connection, not with <sup>the</sup> state trading section, but rather with the quantitative restriction portion of the Charter to which it seems to be more closely related. If I have understood the amendment correctly, its intention seems to be to set up a complete exception in the case of a country which completely controls its trade to the provisions relating to quantitative restrictions - an exception which would not be parallel, like the other, with any similar exception for a country

which only controls part of its trade through quantitative restriction. Perhaps I have misunderstood the intention of the amendment, and if I have I should like very much to have a further explanation from the Brazilian delegate. Assuming that I am right, however, it seems to lead to a very serious difficulty. It seems to me that it vitally effects the entire balance of the Charter as it has been drawn to date. Mr. Webb, I think, with considerable eloquence, has pointed out that it may be that the greatest value of the Charter lies in the influence that it will have over members, and in the fundamental desire of the members to go on co-operating with each other, rather than in the specific obligations laid down in the Charter.

That certainly is a reasonable approach. There are one or two approaches which necessarily had to be considered when the first draft of the Charter was prepared. One approach was to include in the Charter various specific obligations; the second approach was the one chosen for better or for worse - I believe for better. But it is quite clear that if at this stage of the game we decide to depend simply upon the general desire of Members not to injure other Members in their trade, instead of to specific obligations in the Charter, we have very radically altered the basis on which the Charter has been drafted up to this time.

In this connection, I am sure most of us will remember the address given by Mr. Wilcox very recently before this Commission, when he considered the Paper which had been submitted by the Belgian delegate concerning the progress of the Conference and the development which had taken place in the Charter. During that debate Mr. Wilcox said a great many amendments had been submitted; some of them were fairly important to the countries submitting them, but did not fundamentally destroy the structure of the Charter. On some it was a question of compromise; he added, "there are, I believe, certain amendments which if passed would destroy the whole edifice we have sought to construct, and against those we must stand like a wall of stone."

In saying that the New Zealand amendment is the sort of amendment Mr. Wilcox was speaking of, I feel I ought to make it clear that when I criticise an amendment because of its possible result, I am not criticising the motives of the country which is submitting their amendment. I say that because I feel that the Netherlands delegate misunderstood an earlier remark of mine. I am sure it is not the intention of the New Zealand delegate to destroy the structure of the Charter; I am sure they have as much desire as we have to make the Charter work, but I do think it is necessary to analyse the effect.

I find it hard to escape the conclusion that the exception which I gather New Zealand would take to the quantitative restrictive Articles of the Charter, would make possible a complete development of the protection of all domestic industries, with the only restraint on that development resting in the will of the country which controls its trade. A comparable provision to cover countries who do not completely control their trade, would, it seems to me, be an exception which would leave the provisions of Article 15 on internal regulations, Article 24 on negotiation of tariffs, Articles 25, 26 and 27 on quantitative restrictions, and Article 30 on subsidies - would leave the interpretation of those obligations clearly up to the Member who had undertaken the obligation, and in fact would relieve him of any obligation whatever under those Articles unless he should decide that they injured the interests of other Members of the Organisation.

I have no intention of carrying on the analysis indefinitely, but it seems clear that there is set up here a complete exception to the specific obligations of the Charter, an exception which does not exist anywhere in the Charter for any of the other Members. The only logical situation if we accept it, would be to strike out all of the Chapters in the Charter with the exception of Chapter VIII and possibly Article 35, and simply establish the Organisation to do what it could in the future for the stimulation of world trade. That is an approach which is not acceptable to the United States.

I sympathise with the delegation of New Zealand when it feels that the Charter should be written in such a way as to permit New Zealand to be a Member of the Organisation. I sincerely hope that we have drafted such a Charter. The United States delegation will certainly consider very sympathetically any specific proposals to correct any difficulty in the draft of the Charter which makes that impossible, but we still feel the Charter must be drafted in such a way that the United States could become a Member, and I do not believe that would be possible if the amendment were accepted.

CHAIRMAN (Interpretation): Before continuing, I would like to know which delegates wish to speak today, because if there are many, it is obvious that we will have to provide for an extra meeting tomorrow.

Seeing that there are at least five speakers plus Mr. Webb, who will obviously want to answer them, it will be necessary to hold a meeting tomorrow.

I will however give the floor to one more speaker now, namely, Dr. Holloway.

CHAIRMAN: The Delegate of South Africa.

Mr. HOLLOWAY (South Africa): I think I must join issue immediately with the representative of the United States when he says that the New Zealand Delegation's Amendment would tend to destroy the whole structure of the Charter as drafted.

Maybe the Charter as drafted seeks to cover too wide a field, but as it stands the New Zealand Amendment is a good deal less drastic than is the Article 33 that we have now. So we may be trying to cover too big a field. We admit that a country may protect its industries, but it must protect them on the principle of non-discrimination. Non-discrimination is the main purpose of the Charter. At the same time we do not want to exclude any important trading countries on the ground of their own political philosophy.

Now it may be that they cannot be brought under the same cover as non-discrimination, because non-discrimination postulates what I may perhaps call in a special sense the rule of law.

Other countries are told beforehand exactly where they stand and what they can rely on, and when you have an authoritarian system which depends on planning - on giving preference to certain things - very naturally there cannot be non-discrimination, because the very element of the thing is discrimination.

But I contend that the Charter as drafted tries to get something of both concepts in by compromising between the two: by saying, in effect, "We shall not push the principle of non-discrimination to its logical conclusion, which will throw out authoritarian systems, but we will try to get as much as we can of both systems, so as to keep one unity in

world trade by following the principle that where non-discrimination cannot be fully applied we shall seek some other limitation. We shall seek some other limitation on the countries which cannot give us the full benefit of non-discrimination".

Now when you get to applying that, first of all, complete non-discrimination, then subsidies - where you have to put on certain limitations, certain conditions under which subsidies may be applied - when you come to State trading mixed up with other things you lay down certain rules there. When you come to quantitative restriction you lay down certain rules. In all those cases you find some way of limiting the method in which those things can be used.

Now the proposal of the New Zealand Delegation no doubt as Mr. Evans has said goes a bit beyond all those. Those rules which I have laid down there cannot be applied except with the goodwill of the country applying the New Zealand system; but it still lays down a limitation.

The country itself would be limited to the conditions which are given in the New Zealand Amendment, conditions which make it possible for other countries to test, as a matter of fact, whether that country is, although it is applying discrimination doing as much as it can to improve international trade; and when it does that inside the limit left over it can still apply non-discrimination.

That goes a good deal less for Article 33 as it stands here. Now it is true that the United States Delegation has proposed the elimination of Article 33; but the elimination of Article 33 has been suggested by the U.S. Delegation on the grounds that Article 32 can be so drafted as to cover Article 33.

not because they are in disagreement with the idea, but you must still try and make it possible for all trading countries to play ball in this game that we are trying to play.

In Article 33 the country can do what it likes. It has a complete State monopoly of its foreign trade, it can apply discriminations and quantitative restrictions - there is very little that the Organisation can say to it except that it can say, "You must do a certain amount of trade".

The other Members are not protected nearly to the same extent as the New Zealand proposal proposes to give them protection.

In Article 33 as it stands now, whereas under the New Zealand Amendment there are certain objectives, if we apply the rule throughout that there is a limitation of the freedom to use any particular device, which is the idea that has been followed throughout the Charter, in order to make all countries come in, the New Zealand proposal seems to me to be much nearer the main objective than 33 as it stands. And it has this further advantage, that comparatively few countries can apply it except by going very much further. It requires a fairly simple economy with the export trade limited to a comparatively small number of Articles, otherwise it breaks down - otherwise control is not enough. You have got to go in for a complete monopoly, like you do in a completely authoritarian system.

Thank you, Sir.

CHAIRMAN (Interpretation): Gentlemen, we shall adjourn our discussion until tomorrow at 2.30 p.m. The first speakers on my list are the representatives of Canada, Australia, and the United Kingdom; but before we adjourn the Meeting I have two announcements to make. Commission A (that is, our Commission) will convene on Saturday morning in order to examine the Report on Technical Articles. Commission B will convene on Monday, 30th June, at 2.30 p.m. to examine the Report of the sub-Committee on Chapter VII. This means a simultaneous Meeting with Commission A, which will examine on the same day Articles 25 and 26. For this decision, gentlemen, I need your approval. It is deplorable that both Commissions must sit simultaneously. However, this cannot be avoided, since the experts on Chapter VII must leave Geneva for Paris on 31st June in order to attend the Rubber Conference. Do you agree, gentlemen? (Agreed).

The Meeting stands adjourned.

The Meeting rose at 6.40 p.m.