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

VERBATIM REPORT

TWENTY-SECOND MEETING OF COMMISSION A
HELD ON TUESDAY, 1 JULY 1947 at 3.00 P.M. IN THE
PALAIS DES NATIONS, GENEVA

M. Erik COLBAN (Chairman) (Norway)

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CHAIRMAN: The meeting is open. The reason why the Chairman of Commission A is unable to preside this afternoon is that he had a previous commitment for a Press Conference before it was decided to call this meeting.

You were all present at the meeting yesterday and you know exactly the position of the discussion when that meeting came to an end and I do not think it is necessary for me to explain anything. I will call upon the first speaker on my list, the representative of Australia.

One second: the delegate of New Zealand wishes to say something.

Mr. L.C.WEBB (New Zealand): Mr. Chairman, I was just going to make the suggestion that, as this is in a sense a continuation of a discussion which was started yesterday, would it be possible, for the purposes of the record, that those who made statements yesterday and did not wish to take up the time of the Conference by repeating those statements, might put in a record of their statements in order that a summary record of yesterday's meeting may be prepared by the Secretariat. Otherwise the record will be incomplete.

CHAIRMAN: In answer to that, I would mention that the statements in the discussion yesterday are in the verbatim records of yesterday's meeting, and I think it would be quite sufficient, to maintain continuity, that a delegate who wishes to say something today could refer to what he said yesterday.

The Delegate of New Zealand.

Mr. L.C.WEBB (New Zealand): I think, Sir, that you may be under a misapprehension. I was not referring to yesterday's meeting of the Commission but to yesterday's Joint Committee Meeting of which this discussion is really a continuation, and I

do not think, subject to correction, that any record was taken of that meeting. This meeting is, in other words, a continuation of the Committee Meeting rather than the Commission Meeting.

CHAIRMAN: As a matter of fact there is in preparation a record of the Joint Meeting of the Sub-Committees yesterday.

DR. GUTIERREZ (Cuba) : Mr. Chairman, the Cuban delegation is of opinion that this is a Special Meeting of Commission A which has been called to give especial consideration to the problems arising on account, not only of the matter that was taken up in the Mixed Committee on Article 15 and Chapter IV, but also of the matters that were raised in the Meeting of Commission A dealing with Article 25; and so this Special Meeting of today is not actually a continuation of the Mixed Committee Meeting but is a Meeting of the whole in relation to matters pertaining to the very peculiar conditions in which the under-developed countries are facing the programme of a World Charter not only in relation to their matters of quantitative measures but also subsidies and all the other aspects of the problem concerned. Is that so ?

CHAIRMAN: I think so. Well, this point of order being cleared away, I call upon the delegate of Australia.

DR. H.C. COOMBS (Australia): Mr. Chairman, I should like to commence by reminding delegates of the way in which this problem came before this Meeting of the Commission.

In the Sub-Committee which was dealing with Chapter IV several amendments were put forward which proposed that, as part of the provisions of Chapter IV for industrial development, there should be included permission to Member-countries to use protective measures which were specifically excluded under Chapter V,

the Chapter dealing with General Commercial Policy, without seeking the prior approval of the Organization, where it was wished to use those for purposes of industrial development, In some cases provision was made for such use to be subject to subsequent approval; in other cases it was to be subject only to the right of other Members to complain as to the effects of such use. It was clear that action of that kind, as part of the work of the Sub-Committee dealing with Chapter IV, would have a profound influence on the status of the specific Articles in Chapter V which precluded the use of various protective measures except under circumstances specified in the Articles dealing with them.

As Chairman of the Sub-Committee dealing with Chapter IV I therefore suggested that it would be desirable for these proposals to be discussed jointly by the Sub-Committee dealing with Chapter IV and the Sub-Committees dealing with the corresponding Articles of Chapter V, and the first meeting of that Joint Sub-Committee did take place this week and, as the New Zealand delegate pointed out, some discussion has begun.

But in our meeting yesterday, which dealt specifically with Article 25 which deals with quantitative restrictions, it was clear that in relation to that Article and other Articles there were amendments to the specific Articles themselves designed to achieve much the same sort of purposes as those which had been put forward in more general fashion in relation to Chapter IV. It seemed, therefore, necessary to deal with all these things together, since their general purport and general intention was the same, and furthermore I felt that it was not proper for a Sub-Committee, or even a combination of two Sub-Committees, to deal with matters which were of such substance and did amount to a substantial change in the content of the Charter.

I therefore suggested to the Chairman of Commission A that he should call a Special Meeting of the Commission to discuss this question in view of its very great importance to the Charter as a whole.

Having made that explanation, Mr. Chairman, I would like to go on and express the views of the Australian delegation on this question.

Delegates who were at the London Session of this Committee will recall that the Australian delegation was very active in its advocacy of the inclusion in the Draft Charter of provisions designed to enable under-developed countries to develop their resources to the full. We did that for the following reasons:

First of all we ourselves are an under-developed country in relation to the potential resources of our country and we did anticipate therefore that we would need to call upon the facilities provided as a result of the Charter and this Organization and to take advantage of the rights embodied in the Charter for our further economic development.

But, more important than that, we believed that the further economic development of the countries even less developed than we are was perhaps the most important single factor capable of contributing to a higher standard of productivity, a higher standard of trade, a higher standard of living, and we believed that a Charter which claimed to deal with international trade and employment which gave no adequate attention to the problem of carrying out that development would be deficient in its most important respect.

We therefore advanced in London a substantial number of amendments and additions to the Draft we were considering at that time, designed to bring about this result. Those proposals were considered, along with proposals from a number of other countries. I believe I have pointed out before that we were not

entirely satisfied by the results, but we did believe that substantial progress was made. There was included in the Charter a Chapter devoted entirely to the problem of industrial development and that Chapter, I believe, included significant gains to those countries interested in this subject. It included a clear statement of their own obligation to carry out their industrial and economic development: it included something to which they and we attach a good deal of significance - a clear statement of their right to use protective instruments for that purpose where justified: it included also something to which we and others attach a great deal of weight - that was that the ITO, along with other international agencies, should be empowered to provide positive aids to countries carrying out developmental programmes in order that they should be able to make a positive contribution to this task. We believe that that is important not merely because of the aid which an international organization of this kind can give, but we believe it to be fundamental to the success of the ITO itself.

The ITO will be considering a wide range of commercial policy and will be called upon to sit in judgment, to conduct negotiations concerned with these measures of commercial policy, the prime purpose of which, in many cases, is development, and it seemed to us therefore fundamental, if they were going to have a proper understanding of the task before them that they should functionally be brought into contact with the objectives which people were pursuing in adopting certain measures of commercial policy.

In addition to the content of Chapter IV to which I have referred, there was added a very important further provision. In Chapter V which deals with General Commercial Policy there were preserved to countries certain measures of a protective character which they were free to use with comparatively little limitation: the use of subsidies, the use of tariffs and certain other measures

in narrowly defined circumstances. But now in Chapter IV was added a further proposal: that, despite the prohibitions embodied in Chapter V, it would be possible for countries to obtain permission to use other measures, particularly where they could demonstrate that the use of those measures was not merely more effective from their own point of view but less restrictive of international trade and less detrimental to the interests of other countries than measures of protection which they were freely and clearly entitled to employ.

I am sorry, Mr. Chairman, for going over this matter in such detail, but I feel it very necessary, in making clear the attitude of the Australian delegation, to do so.

We believed that those changes brought about in London were substantial, were significant; they did not go as far as we would have liked them to go but none the less we believed that they represented an honest attempt on the part of countries who, at the outset, had been less concerned with these matters, to meet the needs of ourselves and other under-developed countries.

Furthermore there were other parts of the Charter also where we had sought to obtain concessions in the interests of our own economy and the economies of other countries who were similarly dependent as ours is.

We came to the conclusion, therefore, as a result of the Conference in London, that, although we were by no means completely satisfied, we had reached a compromise which was a reasonable one in the light of the conflicting views and interests of the countries which had concluded it. We believed it to be a reasonable compromise because, despite its imperfections, we believed that it did offer a positive opportunity for under-developed countries to develop their resources; it did provide means; and we believed that, with goodwill, the Charter, as

drafted in London, was capable of becoming an instrument by which the development of the world's resources would become more even and at a general higher standard.

Believing that, Mr. Chairman, we came to this Conference, this Session of the Preparatory Committee, anxious to improve the London/New York Draft in as many ways as we could, but satisfied that the basic structure of it did represent a compromise to which we could give our adherence.

I want to make it quite clear that the fact that we accept that compromise is based upon the belief, first of all, that the Charter can lead to industrial development and secondly that all the countries who were party to that compromise regard it as one which will be made effective: not merely that it is a stating of concessions in words, but that it will be implemented in action.

Whether this Charter does so operate depends not so much upon the words in it as upon the will and capacity of the countries who are Members of the Organization and who have signed the Charter.

I want to make it quite, quite clear, too, that we believe that, unless the Industrial Development provisions of the Charter are implemented in a way in which they do produce results, effective results, then the life of the ITO will be a short one.

However, whether that happens depends, as I have said, not on the search for further changes in the words but upon the implementation of the compromise which we have reached.

Now, Mr. Chairman, the Australian Delegation have been a little disturbed at the tendency apparent here to seek to extend still further the provisions for the use of protective measures beyond what was provided for in the London compromise.

We do that, not because we doubt that the countries so seeking would wish to abuse the further provisions, but because we are satisfied that on the whole they are not necessary to their effective development. We have a feeling that they are tending to exaggerate the need for some of the measures which they have put forward.

In one of the statements that were made yesterday, attention was drawn to the difficulties which a country would experience in putting up a proposal under Article 13. It was pointed out that, so to speak, a substantial part of the jury which would sit in judgment on its proposal would include countries whose interests, perhaps, ran the other way.

I think one very important thing that needs to be considered in relation to applications under Article 13 is, if I am any judge as to how it will operate in practice, that the jury will not be sitting in judgment at all on the proposed development for the industry it is intended to protect.

What it will be sitting in judgment on is the relative merits of a method of protection for this particular industry which is excluded under the Charter, and one which is freely open to the country. If a country wishes to establish or expand a new or existing industry and believes that protection is necessary for that purpose, it has already within its rights under the Charter a number of possible ways of going about it.

Now I believe it may well be true in individual cases that that protection will be more readily and more cheaply provided, and with less restriction on international trade, by some of the measures which are precluded. Perhaps, for instance, by quantitative restriction. I believe the number of these cases are few, but I do believe they exist. Now, if a country applying them wishes to bring one of these forward, what it is in effect putting before the International Trade Organisation is not that it is an industry which is a good industry to protect, but here is an industry which it proposes to protect and suggests for the consideration of the ITO that the adoption of a particular form of protection excluded under the Charter would be less restrictive of international trade than something it could do anyway.

Now, I believe that that changes a good deal the conclusions which one may draw from an examination of article 13. It is a question of a choice between methods generally. That, of course, would not preclude the possibility of a country changing its mind as a result of the examination, but the fact remains, that so long as methods of protection are open to countries freely and at their own discretion, then the application for the ITO approval for a particular device becomes one not of examination of the proposal but of the relative merits of the form of protection proposed, from the point of view of the country concerned and of other countries affected.

I give that illustration, Mr. Chairman, to suggest to those countries who are concerned with industrial development that they may be allowing their fears arising from the examination of an individual case to distort their judgment a little.

Another point which I want to make from our own point of

view; while we agree that the need for the economic development of under-developed countries justifies much, to include in the Charter approval for action for those purposes is a very difficult thing to do. If you do not extend the approval of the particular type of protection proposed to other forms of industry, it is difficult to identify what is economic development or industrial development, and we, for our part, were very gravely affected in the war period by the application of quantitative restrictions to primary production exports from Australia to a number of other industrialised countries, which sought to protect and extend their own domestic agriculture for predominantly strategical reasons; and we see along with this tendency in the Conference to seek greater freedom of action in relation to industrial development, a parallel, and to us, an equally distressing trend, namely, to seek to provide for already industrialised countries freedom to protect their domestic agriculture - and here again, I believe, we have in the past reached a reasonable compromise.

We do not wish to suggest that a primary production industry of already industrialised countries is not, in many cases, worthy of protection; but generally the justification for its protection is a different one. In very many cases it cannot ever be expected to reach the levels of productivity of the corresponding industries in the major exporting countries.

Nevertheless, trade protection may well be justified for social reasons rather than economic reasons, and we would therefore wish to see reasonable provision made for them; but we are afraid that this competitive element, entering into the search for the extension of means of protection, on the one hand by industrial countries, on the other hand by primary producing or under-developed countries seeking to become industrialised, may lead to a situation

where the Charter ceases to have any guiding influence upon the commercial and developmental policies of the countries who are Members of the Organisation at all.

This problem, Mr. Chairman, is a very difficult one for us. We feel the strongest identity of interests with countries whose major industrial development lies before them. I can assure them that we would not have been prepared to accept the main basis of the London compromise (if I can call it that) if we had not been satisfied that it did provide them with the opportunity which we know they need, and which we are anxious for them to have.

There is, I think, Mr. Chairman, in this competitive element a real danger to the Conference. Unless we are prepared to approach this question as we did in London, basically, as one of compromise, then there is real danger that our best work will have been wasted.

For the Australian Delegation I can only repeat that while we want changes made, the broad lines of the London compromise are what we are prepared to accept.

Mr. CLAIR WILCOX (United States): Mr. Chairman, officially this meeting is known as the meeting of the Preparatory Committee of the International Conference on Trade and Employment. More accurately, it should be described as the International Conference on Quantitative Restrictions. No matter what door we are going in - whether it be marked "Employment" or "Development of Commercial Policy" or "Commodity Policy" - the door where we come out is always marked "Q.R.". What we are talking about is protectionism, protectionism in most extreme form. The fundamental issue that faces this Conference is whether the future pattern of International Trade is to be one in which the quantity and direction of all exports and the quantity and sources of all imports is to be subject, in all countries, to detailed administrative controls.

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The point/in which all trade between nations is to be the subject of a continuous political negotiation, with the lion's share of the benefits going to those countries that possess the greatest economic strength. This is the issue and the time has come when we must recognise it and face it. What we, in the United States, should like to see is the complete outlawry of quantitative restrictions. We have recognised, however, that in the present economic situation in the world, this is unattainable. We have accepted as second best the position that quantitative restrictions should be subjected, by international agreement, to international control. We have listened, over the past two years, with sympathy and, I hope, with understanding, to the statements of the particular needs of particular countries. We have displayed, I think you will all admit, a willingness to compromise in an effort to reach an agreement which would be acceptable to all and fair to all. We have felt that we succeeded in reaching such an agreement in London. In that agreement, Mr. Chairman, we went as far as we could go. There comes a time when further concessions would involve the

complete surrender of fundamental principles. When that time comes, compromise is no longer possible. In our opinion that time has come today. Let us take a look at the nature of the balance of interest that we reached in London. What are the obligations that would be assumed by the United States and by other countries? We have here, for the first time in international history, a recognition that the domestic employment policies of individual countries is a matter of legitimate concern to other countries. We have here, for the first time in history, a commitment to take measures as designed to maintain full employment, designed to maintain the adequacy of markets for the goods of other countries. Secondly, we have agreed to co-operate in the economic development of other countries and specifically to impose no unreasonable impediments on the exportation of capital materials, equipment and technology which are needed for that development. There never was before, in the history of the world, such a commitment. Thirdly, we have agreed to provide a national treatment of internal taxation and regulation; and fourthly, a Most-Favoured-Nation treatment in all customs matters. Fifthly, to reduce our tariffs substantially. Sixthly, to submit to strict control on the use of import rules and export subsidies. Seventhly, to submit to a procedure of international complaints, ^{concerning cartel} hearings and recommendations/arrangements in which our own powerful domestic corporations may be participants; and eighthly, we have agreed to a code of conduct to control international and intergovernmental commodity agreements; for which I might say there is only moderate enthusiasm in the United States.

Now, other nations have assumed such obligations too. But for many there will be numerous and detailed provisions for escape. The most important of these ^{is} in Article 26 which relates to nations in balance-of-payments difficulties. We regret the necessity for this

Article, but we recognise it and we are prepared to stand by it. The matter which is now at issue before us is the freedom of the so-called underdeveloped countries to take protective measures. One might assume, to listen to some discussions, on this matter, that the Charter provided no liberty at all in this regard. This is not the case. Under the London and New York Drafts, an undeveloped country is free first to use subsidies and second it is free to impose a new tariff on any commodity which it has not bound against the imposition of a tariff, or to raise a tariff on any commodity which it has not bound against increase in the course of a trade agreement. It must be recognised that a country that reserves from an agreement a considerable number of commodities must expect to get less in the way of concessions in return, but the way is completely open for a country to do so. As Dr. Coombs has said, the question at issue is not whether protection is to be provided, but only how it may be provided.

The only matters on which a country would be required to seek the approval of the International Trade Organization are those on which it sought a release from obligations which it voluntarily assumed, that is, where it sought permission to impose a tariff although it had bound free entry or protection in a trade agreement; where it sought permission to raise a tariff where it had reduced or bound against increase in a trade agreement; and finally, where it sought to use quantitative restrictions.

These obligations would be assumed by the nation as a quid pro quo for those assumed by other nations, including the United States, and as a quid pro quo for the tariff reductions made by other nations including the United States. Even under those circumstances the Charter, as drafted at the present time, provides for a controlled release from such obligations. That provision, it seems to me can be regarded only as one of extreme generosity. There can be no case in economics or in morality for anything more. We are prepared to stand by this compromise, as Dr. Coombs has said the Government of Australia is prepared to stand by this compromise. Now we find, however, that this provision is to set up a procedure, under which we should return to certain countries part of the price they were paying for the benefits conferred upon them by the other nations of the world, is under vigorous attack. This very considerable concession we are told is not enough. What then is enough? What is desired it seems to be clear is complete freedom at any time to impose on the imports of any products any quantitative limits that a country may desire. There is only one way in which this proposal can be described; it is a prescription for economic monarchy. Of all forms of restrictionism ever devised by the mind of man, Q.R. is the worst. Beside it protective tariffs appears to be a liberal method of controlling trade. In the case of a tariff the total volume of imports can

expand with the expansion of trade. There is flexibility in the volume of trade. Under a quota system the volume of trade is rigidly restricted, and no matter how much more people may wish to buy or consume, not one single more unit will be admitted than the controlling authority thinks fit.

In the case of tariffs, the direction of trade and the sources of import can shift with changes in quality and cost and price. Under a quota system the direction of trade and the sources of imports is rigidly fixed by public authority without regard to quality, cost or price. Under a tariff, equality of treatment of all other states can be assured. Under a quota system, no matter how detailed our rules, no matter how carefully we police them, there ^{must} almost inevitably be ^{as} discrimination/ amongst other states. If these rules were further to be relaxed, we should emerge from this meeting with nothing more than a multilateral agreement to fasten bilateralism on world trade.

Finally, Q.R. makes all international commerce a matter of political negotiation - goods move, not on the basis of quality, service and trade, but on the basis of deals completed country by country, product by product, and day by day between public officials. All economic relation between nations are moved into the area of political conflict. If Q.R. is to be fastened on the commerce of the world without let or hindrance, ^{the} restrictionism of the Fifties and the Sixties will make the restrictionism of the Thirties look like absolute free trade. If this is to be the outcome of our negotiations here, I say all our hopes for economic stability, for economic development and for economic peace are doomed to failure. We all know that the folly of the past brought us to tragedy. What reason is there to suppose that even greater folly in the future would bring us to a better fate?

On this matter I want to repeat that we have gone as far as

we can go. If we were to emerge from this meeting with a Charter that was in its very terms a sanctification of autarchy, an incitement to resume economic aggression, a guarantee of economic war, there is not the remotest possibility that it would be accepted by the Congress or the people of the United States. We should not even present it to them for their consideration.

In the trade negotiations it has been our hope that we should achieve an agreement which would be to the mutual advantage of the participating states. We have been prepared to offer substantial reduction in our tariffs, providing readier access to our markets for all the other countries of the world. Now we are faced with the proposal that the concessions that are made to us, the quid pro quo for our concessions, may be withdrawn unilaterally, at any time and to any extent that another party to the contract may choose. That is the meaning of freedom - absolute and uncontrolled freedom - to use Q.R. A trade agreement that afforded so complete an escape of one party to the contract would not be worth the paper on which it was written. We cannot make tariff concessions on this basis. We will not do so.

I have always supposed, Mr. Chairman, that the future economic policy of the United States is a matter of great importance to the other nations of the world. I have been led to believe that a reduction of American tariffs would be looked upon with considerable favour by other states, and that an increase in our tariffs for the general imposition of ^{import}quotas would be regarded as a serious blow to their essential interests. If this is indeed the case, I must ask some of my friends to consider for a moment the direction in which they are asking us to go, and what the consequences are likely to be.

If the trading pattern now written into the Charter is ultimately adopted, you will be able to sell more goods in the United States. There will be no official limit on the total quantity you can sell; you will not be told that some part or all of our market has been reserved for somebody else; you will not be told that we will not take your goods because we do not like your politics; you will not be told that we will not take your goods unless you pledge yourself to take specific quantities of ours; you will not find yourself excluded from other markets by the fact that we have pre-empted them for ourselves.

Let us suppose that any one of a dozen amendments that are now before us should be adopted and that all restraints on Quantitative Restrictions are finally destroyed. Does anyone suppose if the scourge of restrictions in its most virulent form is to sweep over a large part of Europe that the rest of us or, specifically, that the United States would remain completely immune. Suppose that we eventually succumb, what then? You may be told when you approach us with your goods that you can sell to us but only up to a certain limit regardless of quality. You may be told that you cannot sell to us unless you agree to take specific

quantities of specific goods - not harmonicas perhaps, but something else in return; you may be told that our market is reserved for someone else; you may be told that you cannot sell to us until you modify domestic policies we do not like; you may discover, when you attempt to sell in other markets that we have been there first to freeze you out.

I do not utter these words, Mr. Chairman, as a threat. I want to make it perfectly clear that that is not the way we want to do business, and unless we are driven to it, it is not the way that we shall do business. But if some of the proposals now before us were adopted, it is the destination towards which we should be asked to turn our feet.

I repeat, the fundamental issue is whether the future pattern of international trade is to be one in which the quantity and direction of all exports and the quantity and sources of all imports is to be subject in all countries to detailed administrative controls, in which all trade between nations is to be the subject of continuous political negotiation with the lion's share of the benefits going to those countries that possess the greatest economic strength. When that issue and the possible effects of its long solution are clearly understood, I shall have no doubt as to the decision that this Committee will make.

Mr. J.J. DEUTSCH (Canada): Mr. Chairman, the Canadian delegation has, on various occasions, stated its attitude towards the matter which was under discussion today. We do not wish to repeat what has been said on other occasions. We do not wish to repeat either, the considerations that have been stated so well by the previous two speakers - considerations with which we are in full agreement.

As we have said previously, we are prepared to accept the London compromise. It is on that understanding and on the basis of that compromise that we have engaged in the discussions here, and it is on the basis of that compromise that we have agreed to negotiate in respect of our tariff. Now, the amendments which have been proposed in respect of the use of quantitative restrictions at different places in the Charter to our mind would, if adopted, constitute a fundamental change in the nature of the Charter as it emerged from London. The amendments that are proposed are, on the one hand, amendments which would, in fact, permit unlimited freedom to countries to protect industrial production and that freedom would be allowed, under the amendments as proposed, generally and naturally to all the Members of the Organization. It is suggested that these freedoms should only be allowed to one particular type of economy - namely, an underdeveloped economy. I suggest, however, that there are very few economies which can be said to be fully developed, certainly ours is not.

On the other hand, we are confronted with amendments which would enable the more highly developed countries to follow an almost unlimited protection with respect to agriculture. If these amendments are adopted with regard to both these respects, clearly for us the basic rules of the Charter would become meaningless. Not only meaningless, but would become exceedingly dangerous. We would

have undertaken many important obligations and many concessions.

At the same time, possibilities for economic warfare in the world around us would continue unabated. Clearly, the Charter that would bring about such a situation or allow for such a situation is not one which we could recommend to our government.

For these reasons, Mr. Chairman, we could not, having in mind our own position and having in mind the general economic climate of the world, and having in mind the effect upon real economic interest in other countries, accept any substantial change in the fundamental rules of the Charter or ^{in the} compromise that emerged from London - we could not accept, or recommend to our governments to accept, this. In that case, we would have to look to other ways of ordering our affairs in the economic world.

Dr. A.B. SPEERKENBRINK (Netherlands): After all that has been said by previous speakers, there is no need for me to go into lengthy detail. I would, however, only state that the Netherlands delegation also accepted the London draft as a reasonable compromise. We explained certain difficulties in London that we had with our agricultural organization and to a certain extent even with protection. We are still faced with difficulties, but we hope we will be able to solve them here. In any case, you can be assured that we will do this with our eyes fully opened to the difficulties of other countries, and we will try to find a solution wherever possible.

When we came to this conference my Government instructed our delegation to work along the same lines as was done in London, and when we explained certain of our difficulties here, as I have said before we have acted in the same spirit of reasonable compromise - which has been so well explained by Dr. Coombs - which governed our meetings in London and New York, and which should also govern our meetings here.

With regard to the Netherlands, we are always open for international consultation and control of ideas, and to enter into obligations.

To come now to the issue before this Committee, that of quantitative restrictions, I can state firmly that prior consultation is entirely acceptable to us and the more so when we look at the other stipulations of the Charter, especially those in Articles 34 and 35.

Sir RAGHAVAN PILLAI (India): As I understand the issue it is whether the approval of the Organisation should be declared a condition precedent to the adoption of protective measures by Member countries. I doubt myself whether it is correct

to present the fundamental principles involved in this form, and I hope I may be forgiven if I cover a somewhat wider field, and take the opportunity now presented to submit the case of the Indian amendment - the insertion of a new Article, Number 26 (a) relating to quantitative restrictions for protective purposes, an amendment which appears to me to raise issues not all compressible within the narrow limits of the concept of prior approval. In attempting to make out this case, I feel I am in the position, not of an advocate defending an accused person, nor even of one appearing on behalf of a prisoner already tried and sentenced, but unhappily - and I say this after listening to the speech made by Mr. Wilcox - of one pleading for a reprieve for a condemned man upon whom sentence of death is about to be carried out.

I shall try and be as brief as possible consistent with the importance of the subject, and shall only recall the major arguments in support of our case .

In the past, and especially in the last two decades, various devices and innumerable protective measures, some direct and overt, others concealed, have been employed. It has been the endeavour of some of the distinguished delegations here in connection with the discussion of the so-called technical Articles, to track down as many as possible and it is proposed to put the more capricious protective devices on a black list. With these, I shall not here concern myself. I shall confine my remarks instead to the four major protective instruments, tariffs, subsidies, trade trading - which last may cover a multitude of sins - and quantitative restrictions.

What is the attitude we have taken up in the Charter with respect to each of these protective devices? On tariffs, we have fixed no ceiling whatever, nor have we imposed any restriction on a country's freedom of action in this respect except to the extent determined by obligations which it has voluntarily undertaken. On subsidies, too, we have not attempted to set any limit, and it is of interest to note that, where a serious prejudice to the interest of any Member is caused by subsidisation, the Charter provides for no more than a discussion between the parties concerned. When we come to State Trading, our generosity seems to know no bounds - it is almost staggering in its lavishness.

Quite otherwise, Mr. Chairman, is our position with respect to Quantitative Restrictions. Article 25 bans it altogether with certain exceptions enumerated in later paragraphs of that Article and in Article 26. But the use of Quantitative Restrictions for protection purposes is covered by no exception, and a country desiring to employ it in the interests of its programme of economic development is left to have recourse to the provisions of that omnibus Article, Article 13. Mr. Chairman, I have looked at that Article a number of times, both the New York version and the revised draft currently under discussion in the appropriate sub-committee. They are both masterly drafts, but masterly, mainly, some might say, in the sense of preventing certain things without appearing to prevent them. An uncharitable critic might even say that certain provisions appear perilously like elaborate circumlocution and the net effect of it all an involved negative. I am myself reminded when reflecting on this Article of the story of the practical joker who sent a blind man into a dark room to search for a black cat which was not there. We have an unpleasant feeling, Mr. Chairman, that if we allowed ourselves to be influenced by the superficial

reasonableness of the procedure laid down in Article 13 we might find ourselves engaged on the same errand as that poor, unfortunate blind man.

The truth is, Mr. Chairman, that Quantitative Restrictions has become the object of deep distrust and suspicion, because it has been unable to live down its past. We admit that it has in the past been greatly misused, though let me hasten to add, we are not one of the guilty ones. We believe, however, that under proper safeguards and subject to acceptable criteria, it can be made to serve a constructive role under conditions of an expansionist world economy.

What, let us ask, are the reasons which have been advanced in favour of prior approval in the case of Quantitative Restrictions? These are:-

(1) Quantitative Restriction is a particularly arbitrary form of restriction and is likely to be abused in the absence of prior approval.

(2) the ban on Quantitative Restriction and the stipulation of this rigid procedure are necessary for maintaining "the balance of the Charter".

(3) If no prior approval is provided for, the Organization may be placed in the unhappy position of having to ask for a reversal of action already taken.

(4) Equity demands that the procedure for granting release from a negotiated obligation, such as a tariff concession, should be the same as that for authorising the use of Quantitative Restrictions for protective purposes, as otherwise Quantitative Restrictions might be used to nullify the benefit of tariff concessions granted by agreement.

Let me deal with these arguments and test their validity in the light of the precise terms of the amendment 26a which we have

proposed.

In the first place, is Quantitative Restrictions more arbitrary than the other forms of restrictions, the use of which is permitted under the Charter without prior approval? Under the Charter, a country is free to raise its unbound tariffs to any extent it pleases, though the arbitrariness allowed in respect of tariffs can be equally destructive of international trade. Nor does the Charter require prior approval in the matter of subsidies or State Trading, both of which can be manipulated by governments as arbitrarily as Quantitative Restrictions can be.

If a country wishes to institute a new state monopoly for the importation of a particular product, it can do so under the Charter without prior approval, and yet what is the difference in substance or in effect, between Quantitative Restrictions and state monopoly? Is the one really more arbitrary than the other? That is to say, is a state which is guided purely by considerations of the good of the community likely to behave more arbitrarily than a state enterprise which is guided by those considerations as well as by the profit motive? It may be argued that state monopolies are subject to negotiation, even though they can be instituted without prior approval. But equally, Quantitative Restrictions also might be made subject to negotiation, if desired.

That mystic word "balance", to which I referred a little while ago, has been much used in the discussion of this problem. But what is the alternative method which can be employed, if one renounces the use of protective q.r. without prior approval? Subsidies? State-trading? The balance, to our mind, is heavily in favour of rich countries which can resort to subsidies and which can increase the amount of their subsidy to match every effort on the part of the foreign supplier to lower the price of his product. Poverty, it is truly said, is no crime: but it is twice as bad.

The third objection would have been valid if no procedure for subsequent scrutiny had been laid down. The Amendment proposed by us provides two safeguards against this difficulty. In the first place, it lays down certain criteria which each country must apply before it can grant protection in the form of q.r.

I shall refer to the proviso of paragraph 1 itself. The proviso runs as follows:

"Members agree that they will not impose new or intensify existing quantitative restrictions on imports for protective purposes except when such restrictions are not more restrictive in their effect than other forms of protection permissible under this Charter. Provided that no such restrictions shall, except in accordance with the provisions of paragraph 2 of Article 13, be applied to any product in respect of which the importing Member country has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter V."

If prior approval is considered unnecessary in the case of q.r. for balance of payment reasons, because criteria have been laid down in the latter case, we do not see why prior approval should be insisted on in the case of protective q.r., even when

definite criteria have been laid down. Q.r. imposed for balance of payments reasons can be used for protective purposes (and have, indeed, had that effect during the war) just as much as protective q.r. It is easy to exaggerate the degree of urgency involved in the case of balance of payments q.r.; surely, balance of payment difficulties do not develop overnight.

Secondly, our Amendment lays down a definite procedure for subsequent scrutiny. It provides that if the Organisation disapproves of q.r. imposed by a Member, the Member must withdraw them or face the penalties imposed by the Organisation. This procedure would be written into the Charter, and any domestic industry which secured protection in the form of q.r. would know definitely that the protection given to it was subject to the subsequent approval of the Organisation. No vested interest could be created if protection were given subject to this definite condition. If necessary, a procedure could be laid down requiring every Member using protective q.r. to make this condition known to the interests concerned, and that would provide a complete answer to the objection that q.r. without prior approval would create vested interests.

The fourth objection has been fully met by the proviso to paragraph 1 of our Amendment. Where is the equity in laying down the same procedure for waiving a negotiated obligation and for permission to use a recognised instrument of economic development? As I have said already, Mr. Chairman, the Amendment possesses two features which would restrict the use of q.r. without prior approval to very narrow limits, and to really essential cases, the two features being:

- (1) The criterion laid down in paragraph 1, and its proviso;
- and
- (2) the procedure laid down in paragraphs 2 and 3. Let me

instance a few cases where, in the light of the criterion laid down, q.r. could be used without prior approval.

(a) Where the domestic industry is able to supply only a small proportion of domestic requirements. To put a tariff on the whole of the requirements would be to impose an excessively heavy burden on the consumer.

(b) Where, because of the smallness of the domestic output, no representative figures of cost are available. The Tariff has to be based on a comparison between domestic costs and import cost. If the level of protective import duty were based on the necessarily high and therefore unrepresentative cost of domestic production, it would necessarily have to be a high duty.

(c) In certain cases the import prices might be extremely unstable, and if protection could be given only by means of tariffs, the level of duty would have to be high enough to provide against all contingencies. The burden on the consumer and on international trade would in such a case be higher than if q.r. were employed, because q.r. is essentially more flexible.

(d) In certain cases, again, a tariff, by raising the price, would merely result in contraction of trade. A case in point in my own country, for which the poverty-stricken agricultural community provides the sole market, is sulphate of ammonia. If, in such a case, it is not practicable to give subsidies, a pooling arrangement will have to be introduced to make supplies available to agriculturists at a price which represents the average of the import prices and domestic costs, and a pooling arrangement of this sort cannot be operated without q.r.

(e) In the case of industries, the development of which is absolutely essential in the interests of national security (and it is not difficult, without much controversy, to categorise

such industries, either here or in the Organisation), the rule about limiting the quantum of protection has to be modified somewhat. Q.r., because of its certainty, could be permitted to be employed in the case of such industries to a greater extent than in other cases.

Having said this, Mr. Chairman, I should like to say that we would be quite prepared, if prior approval is waived under the limited circumstances we have indicated,

(a) to consider what amplification is possible in the criteria which have been laid down; and

(b) also to consider improvements in the procedure suggested by us.

I have already indicated that in addition to the safeguards already provided, q.r. could conceivably be made subject to negotiation.

Also that categories of security industries could be presented either sooner or later; and that a Member granting a protection in the form of a q.r. could be required to explain to the interests concerned that its action was subject to the approval of the Organisation, in order that no plea of vested interests might be preferred if the Organisation subsequently disapproved of the action. ^{In} addition, it is also possible to lay down that in making any determination under para. 1 of our Amendment, the Member should be guided by the findings of an independent national tribunal.

The Indian Delegation has presented only a few Amendments for consideration by this Conference, and of those we have put in my Delegation attaches the greatest importance to the one relating to q.r. We come to you with clean hands. Only on one occasion before the war did we find it necessary to impose quotas; that was done against Japan, and by agreement. We are fully aware of

the objections to q.r., and of the risk of its being misused. None the less, we are convinced that if we are to carry out our programme of economic development we must have a residuum of power to impose q.r., under internationally accepted criteria in certain conditions. We are fully prepared to discuss what these criteria should be, and are anxious to be as accommodating as we can; but we find it difficult to compromise with the principle itself, and earnestly hope the Commission will take into favourable consideration the Amendment we have proposed.

CHAIRMAN: I still have six more speakers on my list. First of all, the representative of Belgium.

M. PIERRE FORTHOMME (Belgium): Mr. Chairman, words have a tendency to cover the most diverse things. For instance, the term "underdeveloped countries" lumps together countries which vary very considerably in the size of their territory, the amount of resources, developed or undeveloped, that they have at their disposal, and the labour force on which they can draw for their development. In the same way the term "industrial countries" covers very different situations. There are some industrial countries which have large territories, great resources, and others which are not situated in the same position. We have heard here the statement on the position of some industrial countries which have large territories and large resources. What I would say about that statement is that, when they did not accept the proposition to establish the liberty of the jungle or say "Well, let us have a test of strength and we will see who wins" - when I see them, instead of that, striving earnestly for economic law and order - I have the impression that they have a good understanding of the best interests of us all, and I believe they have given a proof of the sincerity of their will to co-operate - sincerity which the delegate of Australia says was an indispensable pre-requisite for the successful functioning of the ITO.

The Belgian delegation represents an industrial country with a small territory, a highly developed population, and a complete dependency on international trade for its very life. We have also made the effort to understand the necessities of others, and I must say that, in accepting the industrial development in the rest of the world, we have to display a considerable amount of fortitude. We have to be inveterate optimists and we have to trust the others. We

have to trust them, first of all, when their development is drying up gradually certain of our traditional trade channels; we have to trust them really to develop their resources to create really a new amount of wealth in the world. We also have to trust them to use this newly created wealth to make better opportunities for all of us for a wider exchange of goods and a better standard of living generally.

Now in accepting this, we face the necessity of adapting our own economy to the changes in other countries. We have to develop new industries; we have to let old industries lapse; and at a time like this when our country is faced with the problems of reconstruction, we find that, having a lot of industries which have been reduced or destroyed, we have every day to make very difficult choices as to whether we are going to rebuild an industry that existed, or whether we are going to consider that it has definitely passed its phase of usefulness, and whether what available capital we still have should be invested elsewhere.

Now I have listened very carefully to what the Delegate for India said, and I have a slightly uncertain feeling that the first part of his argument savoured somewhat of the school of thought that two wrongs make a right. In the rest of his speech he may perhaps have made a case for the use of quantitative restrictions, but I do not feel that he has made a case for the use of quantitative restrictions without prior approval.

On the other hand, we feel we must insist very strongly on prior approval and this for a reason which is very practical. As I said before, the development of other countries imposes changes in our industrial production and the whole set-up of our economic life. Such changes have to be gradual if they are not going to provoke the greatest social difficulties and sometimes downright misery. If a number of countries which are our markets are going to apply all kinds of quantitative restrictions without any prior notice, without any prior discussion as to some sort of adaptation of their policy to the policies of other countries, we are going to find that some industries cannot continue to function normally. As an example,

we have found in our experience that countries in a state of new development with no relation of their plans to the plans of other people, are liable to take for a certain time such things as Diesel engines; then suddenly they do not want them. Or they may want machine tools, and shortly afterwards ask for pumping equipment. Now it is very difficult for a man making Diesel engines in a factory suddenly to turn out pumping machinery, and then afterwards to turn out ploughs, and later on something else. In fact, if we find that a number of undeveloped countries are applying unrelated, unco-ordinated development schemes, the whole of our industrial programme is going to be completely wrecked, the whole of our industrial plant is going to be of no value, we shall have to scrap it and start from the beginning. We will, in our turn, have no resources and be unable to cope with the situation.

For these reasons, and for the reasons which have already been explained by other representatives of industrial countries, we cannot admit that there should be any substantial departure from what the Delegate for Australia called "the London compromise".

CHAIRMAN: I call on the delegate of Cuba.

As it is now 5.50, I would like to suggest that we continue up to 6.30 so as to give the delegate of Cuba and other delegates sufficient time to explain their position.

DR. G. GUTIERREZ (Cuba): I do not know, Mr. Chairman, if it is wise to speak at this hour because, by a play of fate, it happens that all the speakers who have taken our attention since 3 o'clock until now have been nations, with one exception, that are satisfied with the London Charter, and all other nations^{that} are not so satisfied are placed in the very embarrassing position of expressing, in less than 30 minutes, their opinions against.

Of course, there is an old proverb that says that usually reason is in inverse proportion to the length of time used to express it, and we are going to try to be brief in order to say that we believe that we have reason!

We have here, like one of the other bad boys of this Conference, dared to raise a voice against our elder brothers, and have come into the room when that big civilisation, which we have just heard laid out by the delegate of Belgium, where they use typewriters and steno-type machines and electric lights, is drafting the Charter of a new economic order. We will be very glad with the liberty of the jungle if the kind of Charter which is going to come out of this goes in the way that it is shaped at this moment, because sometimes the liberty of the jungle is more healthy than the very sophisticated and civilized world.

We are very much at a loss, because we had thought that we were fighting for liberty, and we have been spanked the whole afternoon because we were restricting business, when precisely the

thing that we want is to take away I do not know how many pages, but at least 25 Articles, of restrictions inserted by the "wise fathers" of this new "economic church". Yet, we have joined ourselves with that school of candid thought that made famous that great American, Abraham Lincoln, and we are candid enough to come here and say sincerely what we believe is wrong. Probably, we are wrong ourselves, and we leave it, as the old Greeks used to do, on the knees of these wise old men, to find the thing that the younger nations have not seen along the lines of this Charter of a new economic order.

First of all, experience has shown us that these great leaders of the old nations are not always right. When the first Dumbarton Oaks proposals were presented for the consideration of the peoples of the world, we had a discussion more or less like this where we presented many remarks on the new Charter of the world, and we heard more or less the same objections - "How do you dare to try to make better what old experienced men have done?", and we answered the same thing that we are now saying - we probably are wrong, but we are so young a nation that we still feel in our environment the spell of the jungle, and we like that liberty so much that we do not want to give it to anybody, because history has shown us that the ones that have brought war to the world and misery to human mankind have never been the small nations, but always the biggest experienced civilized nations. That is why we are here contemplating one very simple problem, in my opinion.

This Charter, no doubt is a wonderful valiant effort to re-arrange the economic system of the world. If we do not do it properly, our friends from the USSR are doing it in another form,

and we think that the world is balancing between one and the other.

If we come to this Charter, do we find that Chapter V is full of restrictions from the beginning to the end proposed by these undeveloped countries - almost uncivilized countries? No, they are proposed by the experienced nations.

If you take all of what has been said here so properly and so well by the distinguished delegate of the United States, well, none of those words were written by us. The Chapter that relates to Quantitative Restrictions says at the beginning "Except as otherwise provided in this Charter, no prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import licenses or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country".

There we should have stopped and then all of what we have said would have received the absolute approval of everybody. We would have taken away the quota system, because I cannot see how the quota system may be good in one case and considered bad in other cases.

The principle is good, but then follow, I do not know - about one and a half pages of exceptions. So, if the highly trained people have found the necessity for inserting here one and a half pages of exceptions, we too would offer one little exception. (Laughter) Just one more...

The exception where they say that if import restrictions on any agricultural or fisheries products, imported in any form, and so forth - we simply want to add one word, that is, to include there, also, industrial production. And that is our big crime; and for that we have received all sorts of admonitions to-day. We doubtless have been placed in the position of one of these rules of Debate in Parliaments - the rule of "Take it or Leave it". Well, we do not find ourselves in the way of deciding if we take it or we leave it, because it seems from the actual state of the Debate that it is as bad to take it as to leave it.

That is one of our Amendments.

The other Amendment comes in relation to subsidies. Mr. Wilcox has spoken to-day, with great perspicacity, against protectionism, and he has said, with very sound reasons, that he does not want this Conference, that was called at the beginning "The United Nations Conference on Trade and Employment", to become the International Conference on Quantitative Restrictions. Well, the subsidy is another form of restriction; so Article 30 instead of recognising that the system of subsidies is an

artificial way of producing, of trading - if we are so fond of the liberty of commerce, we should have done with the subsidies the same thing as I propose for the quotas: bear all the subsidies. But it is a very strange thing that the subsidy is something autonomous. It is something normal, correct, when it is used by a strong financial nation to give money to a product that is good for nothing, or that is raised by very artificial methods, to compete with a product of other nations that is produced in a natural form, according to the benefits of sun and soil. So that kind of subsidy, which is absolutely artificial and (as has been said before this afternoon) immoral, is legal. It is according to the Draft, but if one small nation that has not yet developed itself in the capitalistic system to the estate of the big banks and the big financing schemes takes away from national production a certain internal tax, that is a crime. You take away that imperial tax on the production of shoes - of typewriting machines, or of beer - because it is discriminatory on the imports of the same or like products of other nations coming into the country.

So, if you have a big factory of textiles in a country making the things that a human being needs when he starts to be civilised - when a nation starts to manufacture clothes and gives the industrial enterprises a certain amount of internal taxes, the Charter says, No, you cannot do it. You have to admit the goods coming from the more industrialised countries and pay the same duty, because otherwise you are discriminating, and discriminating is a very bad word. Nobody wants to be called a discriminator. In these modern times everybody wants to be a Revolutionist! (Laughter) So I must admit we are very much at a loss, and after many years, I come to the conclusion that I

do not know where is good and where is evil.

Our Amendment has only tried to let these nations - those under-developed, or "uncivilised" nations that have been mentioned so elegantly - use the measures that they have at their disposal - to try to bring to reality the dreams made famous by that great citizen of humanity, Franklin D. Roosevelt. We must confess that we have come towards this Conference very much under the spell of the wonderful ideas of the Atlantic Charter - although the Atlantic is very far away from Switzerland - and that we are still living under the sacred thought of the Four Liberties - although those four Liberties may be considered the Liberties of the Jungle.

What the United Nations said in their Charter, in Article 55, with a view to the creation of conditions of stability and wellbeing which are necessary for peaceful and friendly relations among nations, based on respect for the principle of equal rights and self-determinations, is that the United Nations shall promote a higher standard of living, full employment and conditions of economic and social justice and development; and that is only what we are looking for.

We want higher standards of living, with full employment and improved conditions of social justice and development; but economic development has become here some sort of wicked word that is looked at with great apprehension by many Delegations, when I am almost sure that everyone knows that if ever we can have a world of fully developed economic countries, the amount of purchase and exchange of goods between all the nations would be so high that their trade would increase to enormous figures. And it is a very big mistake to think that the efforts of the so-called under-developed nations to obtain the measures so that

they can industrialise their nations is against the interests of the highly developed countries.

On the contrary, it would be useless to show the statistics about that, because they are very well-known to everybody here.

I am very much with the Hon. Delegate of Australia in what he said, and I do not see how the London and New York Draft is a substantial guarantee for certain countries.

I must admit that I was under the impression that Australia had not developed all the resources of that wonderful country. It seems that they have done it, and, of course, that calls for my congratulations. We, on the contrary, think that if the London and the New York Drafts were to continue, we would be freezing the actual economic status of the different countries of the world. The agricultural countries would continue to be agricultural. The monopoly countries would continue to be monopolies, and the more developed countries would continue selling typewriters and radios, etc. to those nations that were trying to produce the primitive tools.

I do not talk about quotas and about import duties. We in Cuba have had a very bad experience about that. During the first World War we were asked to produce as much sugar as possible. We almost grew cane in the private gardens. It was needed for the war effort. We obtained a record of 5,000,000 tons. A few years after, the import taxes were raised, and our country was absolutely bankrupt, with the result that, in a country that has no financial reserves, it ended in a political revolution. In the second War, we were again asked to produce as much sugar as possible, and we did it. We have just finished the 1948 crop with an amount of 6,000,000 tons.

We have, for example, according to that quota system, (but I do not know what is good on the inside and what is bad on the outside) sent to the United States 53% of the total consumption and now they have given us a quota of some 28%. A quota - believe it or not: the restrictive quantitative method that has been talked about here so much today; so this shows that there must be something wrong in this whole thing. I sincerely believe that we are not trying at all to ask for the right to assure protective measures of any kind without consultation.

What we consider is that we should amend the quota system and the subsidy system in such a form as to enable both the highly industrialised countries and the so-called under-developed countries to attain the goal at which we are all aiming, which is: higher standard of living, full employment, and better conditions of economic and social progress and development.

CHAIRMAN: Before the translation begins, I should like to make some announcements, as I am afraid that, because of the late hour, some of the Delegates may go.

The first announcement is that the Meeting tomorrow morning of the sub-Committee on Article 36 has been postponed, due to the Meeting of the Heads of Delegations. The second announcement is that the Heads of Delegations Meeting is to be at 10.15 tomorrow morning instead of 10.30, and my third announcement is that Commission A should continue the discussion we have had here today, at 11.30 tomorrow.

CHAIRMAN: As we still have a quorum, I have two small announcements to make: one is, that the Joint Meeting of the sub-committees on Chapter IV and Articles 15 and 24 will not take place; I will also confess that I have taken it upon myself to tell the Secretariat that I do not think it is necessary to prepare a summary of the discussions here today and those which will take place tomorrow. We shall have the full verbatim reports, and I think these should be sufficient for our needs.

Finally, I will announce that the first speech at tomorrow's meeting at 11.30 a.m. will be that of the Delegate of Chile.

The Meeting is adjourned.

(The Meeting rose at 6.35 p.m.)