

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

Corrigendum to Verbatim Report of the Twenty-eighth
Meeting of Commission A (E/PC/T/A/FV/28)

The following texts should be substituted for the
remarks of the delegate of the United States of America
appearing on the pages listed below:

Pages 17 - 20, inclusive:

Mr. BRONZ (United States of America): Mr. Chairman, in
the Draft Charter that was presented to the London Session
of this Committee, we had a considerably longer provision
on the subject than emerged from the London Meeting.

After discussion in London it was agreed that a
simple formulation appeared to meet the situation. We
felt that the language in the London Draft imposed the
smallest measure of obligation in this field that could be
imposed, subject, however, to the fact that it is a definite
obligation covering the entire field of the articles of trade.
But there is no obligation about the quantity of goods, as
long as there is no complete exclusion.

I am sure that to go a step further and give a country
the discretion to find that it is impractical to admit even
the smallest quantity of any kind of product would destroy
the effectiveness of the provision entirely, and for that
reason the first portion of the Australian amendment and
the proposal of the Indian delegation, I feel, would be
undesirable.

*Corrigendum 2 was in French only.

As to the general philosophy underlying this proposal, I think the statement made by Mr. Helmore in this discussion set forth the considerations so well that I really have nothing to add on that score.

The Chinese delegate raised a policy question when he asked whether a country in balance of payments difficulties should be expected to use part of its short supply of foreign exchange in order to import token luxury articles among other things.

It is true that on the face of it there is considerable force in the observation of the delegate of China, but there is another side to the picture, and that is that restrictions imposed while a country is in balance of payments difficulties necessarily have their effect in the years afterwards when the country is no longer in balance of payments difficulties. The complete exclusion of goods over a period of several years, during which time the country has financial difficulties, would probably have considerable protective effect for a number of years afterwards, when the country does not need financial protection, and it is in an effort to minimize the future protective effect of present balance of payments quantitative restrictions that we feel strongly that a token import provision in the Charter is necessary. Commercial channels are, of course, difficult to set up. The Australian delegate mentioned the possibility of new products arising which never come into the market at all - consumers in the country may either not know about such products, or know only by reading about them, and it may take many years after a country's financial difficulties are entirely over

before any effective commercial inroads can be made into that market, simply because of the slowness of trade. Therefore, it seems to me that even though there would be some loss in foreign exchange to a country which is in foreign exchange difficulties, that much ought to be yielded in favour of future fair international competition. It is not an unusual type of provision. During the war, at a time when we were severely restricting a great many industries in an effort to expand war production, we did permit a small production in a great many fields which would normally be considered luxuries, in order to keep certain channels of trade going, and I am sure that most of the other countries in the war did the same. Undoubtedly a great many countries imposing restrictions on imports for balance of payments reasons to-day are permitting the import of some quantities of luxury goods, and I do not believe it was intended to preclude that possibility.

As to the precise wording of the New York Draft, we are, of course, not wedded to it any more than anyone else who has commented on it to-day. The words "class of goods" as in the New York Draft, or the word "product" as in the Australian Draft, or the words "description of goods" as in the British Draft, are all phrasings which could well be worked over in the Sub-Committee, in an effort to get the clearest possible wording. I think one thing is perfectly clear: whether you mean fountain pens as a class, or each brand of fountain pen, you certainly do not mean that the importation of one fountain pen would meet a token import requirement for communications equipment. It is a matter which I think the Sub-Committee can work out.

I may say, incidentally, I am entirely in agreement with

the observations of the delegate of Canada, including his suggestion that perhaps this clause would be better put into paragraph 4 than paragraph 2.

Mr. Chairman, may I add that I would not favour the proviso of the United Kingdom delegation. The United Kingdom delegation proposes an exception in favour of goods where either domestic production is severely restricted entirely, or so much of the domestic production is forced into export trade that domestic production for the domestic market is severely hampered. In those two cases the United Kingdom delegation would make an exception from the token import rule.

There is a provision in Article 25 which while not precisely parallel has some similarity to this. I am referring to Article 25 (2) (e), which permits import restrictions when a country finds it necessary, because of a surplus of an agricultural product, to restrict domestic production. The rule established there is that some imports must be permitted to come in and the restrictions on domestic production and on imports must be in the same proportion. Now, if a country finds that it must cut down its own production for the domestic market, it hardly seems fair to exclude imports completely. The present Draft only requires a token import - that there should be no complete exclusion - the rule is much less rigid than the rule of Article 25 (2) (e).

The proviso submitted by the U.K. delegation would require that in a situation where domestic demand is not being met because of short production at home, imports likewise be excluded, and that during this period, while the importing country, or importing and exporting country, is restricting its domestic production or sales, imported goods be kept out

of the market completely. I submit that such exclusion would have precisely the same effect as the exclusion of token imports from any other market. The lines of commercial communication would be broken. At the time when the need for quantitative restrictions for balance of payments reasons had disappeared, it might take a very considerable time for commercial quantities of imported goods to come in, not because of any then-existing restrictions, but because of the absence of commercial connections. The consumer's psychology is of great importance. His familiarity with the product should be kept alive. It is because that is what commercial connections are for that we feel strongly that token imports should be required without exceptions.

Pages 30 and 31:

Mr. BRONZ (United States of America): Mr. Chairman, the language in the New York Draft to which the Chinese delegate has proposed an amendment bears on its face the signs of compromise, and of course that is what happened at London. We would have preferred to require prior consultation in every case. Other delegations began by preferring to have post consultation in every case, and we resolved the differences by a compromise, whereby there would be prior consultation when that is practicable, and consultation immediately thereafter when prior consultation is not practicable.

The proposal of the Chinese delegate now in effect means that in cases where prior consultation would be entirely practicable, the country would nevertheless not be required to do so.

Prior consultation is of crucial importance in connection with later language in this same sub-paragraph.

The sub-paragraph calls for consultation with the Organization as to the nature of the balance of payments difficulties, the various corrective measures available and the possible effects of such measures on the economies of other Members. When a country has already committed itself and announced and put into effect quantitative restrictions, it would obviously be extremely difficult to consult with that country with any hope of having any effect by suggesting the possibility of other measures short of quantitative restrictions. Once the restrictions are put in it is very difficult to get a country to retract at that stage of the game. If there could be consultation with the international organizations before the final decision is made, and publicized, there is much more likelihood that an arrangement could be worked out with the country to save the necessity of having restrictions.

Page 35:

Mr. GEORGE BRONZ (United States of America): Mr. Chairman, I really have no observations to make beyond those contained in the comment which appears in the annotated agenda.
