

SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENTCOMMISSION ASUB-COMMITTEE II on STATE-TRADING

(Article 33)

NOTES BY THE SECRETARIATON ARTICLE 33

These Notes should be read in conjunction with the relevant part of the Annotated Agenda for discussion of Articles 31, 32 and 33 (W.198) and the Report of the Drafting Committee (E/PC/T/34), referred to as "D.C. Report".

They indicate briefly points raised in the general discussion of this Article in Commission A, on 24 and 25 June.

ARTICLE 33United States amendment (Cf. W.198, page 12)New Zealand amendment (Cf. W.198, page 12)Note 1

The New Zealand delegate (A/PV/17, page 37) in a statement on the New Zealand amendment: The present Charter provides for both, liberal trade and complete monopoly of foreign trade, but there is no provision for a pattern like that of New Zealand with planned foreign trade. Therefore the New Zealand amendment is proposed.

The contention that quantitative regulations are always restrictive is a fallacy which confuses cause and effect. Chapter VII admits the expansionist use of controls.

If there is no effective demand the abolition of trade barriers will have no effect on the volume of world trade.

Expansionist policy of controls, in conjunction with Chapter III, can expand world trade.

Under the present Charter, a country which plans its trade to achieve high effective demand and full employment cannot join the I.T.O. The objectives of full employment, high effective demand and economic development require some degree of economic planning. The Charter cannot ban economic planning.

The present exceptions for reasons of balance of payments difficulties (Article 26) are not applicable to an economy of the New Zealand type. In his opinion his amendment is rightly placed in Article 33 which deals with the complete state monopoly of foreign trade.

The amendment requires the Member to use, after consultation with the I.T.O., for its imports the whole balance of payments, and not to use discrimination.

The obligations conceived in subparagraphs (i) and (ii) of paragraph 2 (a) are weightier than those elsewhere in the Charter.

The objection of abuse of the provisions of the amendment is met by reference to many escape clauses in the Charter.

Note 2

The Czechoslovak delegate (Cf. A/PV/17, page 45)

supports the New Zealand amendment which contributes towards a fair balance of the Charter. This will enable countries of all economic systems to cooperate in the expansion of world trade.

Note 3

The United States delegate (Cf. A/PV/17, page 46)

The New Zealand amendment should be placed in Section C dealing with quantitative restrictions. It exempts a Member completely from the provisions of that Section.

Although not intended, the amendment may destroy the structure of the Charter which was not conceived to state merely the general rule of "not to injure other Members' trade". The complete development of all kinds of protection for domestic industries would rest solely in the will of the government.

Note 4

The South African delegate (A/PV/17, page 51)

The New Zealand amendment would not destroy the structure of the Charter; it is less drastic than Article 33.

Non-discrimination, one of the main objectives of the Charter, cannot be imposed on countries

of the New Zealand economic system, because the very element of that system is discrimination. The Charter should be a compromise and should accommodate all systems.

The New Zealand amendment provides for some degree of protection for other Members' interests and is nearer to the objectives of the Charter than the present Article 33.

Note 5

The Canadian delegate (A/PV/18, page 2)

The New Zealand amendment creates a large loophole in the quantitative restrictions, and a major change in the principles of the Charter.

The present Charter allows for planning foreign trade and economic development. The aims covered by the amendment are provided for in the Charter in a general way.

The necessary detailed provisions should be examined by the Sub-Committee.

Note 6

The Australian delegate (A/PV/18, page 5)

Expresses strongest sympathy with the New Zealand domestic policy of high levels of employment and effective demand.

Increasing international specialization developed by protection is a further requirement for expanding world trade, but an unwise use of protection may lead to a contraction of world trade. The misuse of protection is the critical issue which may lead to the formation of isolated economies and to low standards of living.

The London draft contains provisions for the New Zealand type of economies and for the development of national resources without the help of foreign capital.

New Zealand wishes to plan international trade as an end in itself. Such policy must be consistent with the general purposes of the Charter and with the interests of other Members. The Charter is intended to impose some degree of discipline in the use of protection, and therefore requires the planning countries to fulfil the same obligations.

The amendment should be referred to a small Sub-Committee which would examine the question whether it were possible - without destroying the structure of the Charter - to make provisions for the New Zealand type of economies in those Sections which deal with parallel obligations of other countries, as for instance in the Section dealing with quantitative restrictions.

Note 7 The Belgian delegate (A/PV/18, page 12) supported the statement made by the Canadian delegate.

Note 8 The United Kingdom delegate (A/PV/18, page 12)
His delegation has studied the New Zealand amendment with sympathetic interest. The case of this type of economy is largely and fairly provided for in Chapters III and IV, and there is a good measure of latitude in other parts of the Charter to meet special cases. The present Charter is designed to admit all countries to the I.T.O.
He agrees to the formation of a competent Sub-Committee to deal with the amendment.

Note 9 The New Zealand delegate (A/PV/18, page 15)
Article 35 to which the New Zealand amendment refers limits the use of protection, the development of which is thus not solely "resting in the will of the planning country".
His reading of the London Report (pages 12-14, Restrictions to safeguard the Balance of Payments) is that a selective import policy is to be discontinued when the country has enough foreign exchange to finance all types of imports.
The present Charter forces certain countries to choose between liberal trade and state monopoly and may push them towards the latter system.