

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE  
ON TRADE AND EMPLOYMENT

COMMITTEE II

SUB-COMMITTEE ON STATE TRADING

First Meeting  
held on 7 November 1946 at 3 p.m.

Chairman: Mr. SHACKLE (United Kingdom)

This is a summary record of the early part of the meeting. A verbatim report of the remainder of the meeting has been issued under symbol E/FC/T/C.II/ST/FV/1.

1. Opening of Session and Election of Chairman and Rapporteur

The Secretary of Committee II stated that, in the absence of Dr. COOMES, he had the honour to declare the First Meeting of the Sub-Committee on State Trading open. He proposed that the meeting should proceed to elect its Chairman.

Mr. JOHNSEN (New Zealand) proposed Mr. SHACKLE (United Kingdom).

Mr. HAWKINS (United States) seconded the proposal.

Mr. SHACKLE (United Kingdom) took the chair.

The CHAIRMAN proposed the appointment of a Rapporteur.

The Sub-Committee elected Mr. ARMSTRONG (United States) Rapporteur.

2. Discussion of Article 26 of Draft Charter Nondiscriminatory Administration of State Trading Enterprises

The CHAIRMAN drew the attention of the meeting to E/FC/T/C.II/39, which the Czechoslovakian Delegation proposed should take the place of Articles 26, 27 and 28 on State Trading.

As there was no comment on this proposal, he suggested that the Sub-Committee consider it at an appropriate stage later in their deliberations.

The meeting proceeded to discuss Article 26, paragraph 1, first sentence.

Mr. JOHNSON (New Zealand) pointed out that in the full Committee it had been agreed by the United Kingdom and United States Delegates to delete all reference to services, inasmuch as the Charter dealt primarily with goods.

Mr. FUNG (China) thought that the clause "as compared with the treatment accorded to the commerce of any country" meant the application by members of the provisions of this Article to their dealings with non-members.

Mr. ARMSTRONG (United States) thought that this Article dealt with relations between members. He suggested that relations with non-members should be dealt with elsewhere.

The CHAIRMAN pointed out that the Article merely laid down the principle that member countries should not grant non-member countries better facilities than those they accorded to members.

Mr. JOHNSON (New Zealand) thought that the wording was ambiguous. It might be taken to mean that a member could not be accorded better facilities than a non-member.

He questioned whether the term "state enterprise" was sufficiently defined. In the Technical Sub-Committee of Committee II it had been suggested that all such terms which needed defining should be defined in a new chapter to be added to the Charter.

The CHAIRMAN reminded the meeting that he had suggested in the full Committee that the definition of "state enterprise", as defined in paragraph 2 of Article 26, made it obvious that only enterprises under the substantial control of a central government were meant.

In place of the word "substantial" he had proposed "effective", which meant real control by a central government.

Mr. ARMSTRONG (United States) suggested the phrase "a substantial measure of effective control".

Mr. JOHNSEN (New Zealand) pointed out that, in order to be effective, control must be substantial.

Mr. ARMSTRONG (United States) stated that, when the Article was first drafted, considerable difficulty had been experienced when trying to take into account all the different forms of control, such as capital control, etc., and it had been felt that the word "substantial" constituted a fair compromise in order to cover all the various forms of control.

There were no objections to the deletion of reference to services throughout the sentence.

The CHAIRMAN reminded the meeting that it had been substantially agreed to exclude from Articles 8 and 9 supplies for government services and not for re-sale. In order to bring Article 26 in conformity with such amendment, he suggested the addition of the phrase "subject to the provisions of Articles 8 and 9".

Mr. JOHNSEN (New Zealand) enquired if the Public Works Department of a government constituted a governmental service.

He felt the Sub-Committee ought to co-ordinate its work with Committee III on restrictive business practices, which had also considered the question of state trading.

3. Discussion of E/FC/T/C.II/39. Czechoslovakian Re-draft of Section F. on State Trading

Mr. RUCENWALLER (Czechoslovakia) explained that he had proposed that only the principles involved in regard to state trading should be laid down in the Charter, and not the details of applying such principles. It would be very difficult to lay down precise rules on state trading, as state monopolies had been established for so many different reasons. In state monopolies on cigarettes, for

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example, prices had been fixed in order to provide revenue. In monopolies on alcohol, the intention had been to safeguard public health. Other monopolies had been set up for religious reasons. How would it be possible to negotiate such monopolies. His proposal, therefore, was that each state monopoly should be dealt with on its own merit, in conformity with the provisions of Article 30.

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