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ECONOMIC AND SOCIAL COUNCIL

PREPAREDATORY COMMITTEE

of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report

of the

EIGHTH MEETING

of

COMMITTEE II

held in

The Hoare Memorial Hall

Church House, Westminster

on

Thursday, 7th November, 1946

at 10.30 a.m.

Chairman: DR. H.C. COOMBS (Australia)

(From the shorthand notes of
W.B. GURNEY, SONS & FUNNELL,
58, Victoria Street,
Westminster, S.W.1.)

THE CHAIRMAN: I understand that the United Kingdom document which has been circulated on the subject matter before the Committee this morning has only recently reached the hands of Delegates. It has been suggested to me that it would facilitate discussion if Delegates were given ten minutes in which to read through this document. Is it your wish that we take that time now, or would you prefer to commence the discussion immediately?

MR. LOKANATHAN (India): Some of us have not yet received the document.

THE CHAIRMAN: I gather that the Delegates of India, Belgium and Chile have not yet received the document, which is No.W.22. It will be distributed immediately to them.

(After a short interval):

Are Delegates now ready to proceed with the discussion of the matter? If so, I think we will follow our customary procedure and invite the Delegate of the United States to outline the principles underlying the United States Draft Charter.

MR. HAWKINS (United States of America): I do not think it is necessary to say that we are dealing here with a very difficult and very important matter. The problem is one of ensuring that countries in balance of payments difficulties will be able to impose quantitative restrictions. The other side of that problem is that the provision should be so framed that too much latitude is not allowed, so that countries are imposing restrictions when it is not essential for balance of payments reasons. The United States Delegation are fully aware of the difficulties of the problem. We offer our Draft of this section only as a basis for discussion. We ourselves very likely will want to offer modifications in it, and at certain points we are quite prepared to consider substantial changes in it. I will mention those as I go along.

I should like now to outline briefly the essential features of our draft on the balance of payments exception, that is, Article 20 in our draft of the Charter. The basic provision is that a country confronted with an adverse balance of payments may impose quantitative restrictions on imports. That is the starting point of the draft. Until the end of 1949, or if the country concerned considers it necessary, until the middle of 1950, each country would judge for itself, without applying any criteria, whether such restrictions are necessary. The only qualification there during that period is that they should consult with other countries with a view to doing a minimum of injury to them. After that three-years period, a country could continue to impose quantitative restrictions provided this action meets specified tests.

The tests laid down in our draft, in paragraph 3(a) are, first, the existence of a long-continuing or large deficit, or secondly, the probable development of a large deficit in the case of a country with low monetary reserves. That is the first point to which I think further consideration is necessary. We are quite ready to consider improvements in that point, because it is a critical point - the test as to when restrictions may be imposed. Action taken under the exception after the three-year period would be subject to review by the International Trade Organisation, in consultation with the International Monetary Fund, for the purpose of determining whether the balance of payments situation requires restrictions in the light of the tests or criteria to which I have referred.

Section 3(c) of our draft than provides for a complaint procedure. It provides that if any other member complains of the action the organisation would rule on the question. That is to say, it would rule whether the balance of payments tests have been met. If it should rule that the restrictions are not justified, other members could withhold trade benefits granted under the Charter from the member which invoked the balance of payments exception. The last paragraph of Article 20, paragraph 4, is one which has caused some criticism and raised some questions. I think probably the drafting is not fortunate, since it does not clearly convey the intention. I will try to give you the intention of the draft.

Paragraph 4 of the Article provides that so far as practicable the restrictions imposed will apply uniformly to all imported products. The purpose of that provision is to relieve the effect of the action on particular countries. However, we fully recognise that a country imposing restrictions for balance of payments reasons will want to buy less, for example, of luxury goods which it can do without, in order that its limited foreign exchange resources might be used for equipment, materials and so on. It is for that reason that the rule laid down is not, even in our draft as formulated, rigid. As you will note, it applies only as far as practicable. The intention is that a country should not impose restrictions under the balance of payments exceptions with the blind disregard of the interests of other countries; that it should at least attempt minimum commercial quantities of products supplied predominantly by a country, or which may be particularly important to another country.

I have spoken so far only on the question of when restrictions may be imposed. The administration of restrictions, whether non-discriminatory or not, is not covered in this article, but is covered in Articles 21 and 22, which would apply to restrictions imposed under the balance of payments exception or any other exception, to the rule regarding quantitative restrictions. In general our draft, taking

Articles 20, 21 and 22 together, would provide for non-discriminatory application of any restrictions imposed under the balance of payments exceptions. The exact character of both provisions can be understood only by reference to Articles 20, 21 and 22. Article 21 lays down certain rules for the administration of articles which were discussed the other day, but I would like to call your particular attention to Article 22 which provides exceptions to the rule of non-discrimination. Briefly stated, without going over the ground which I went over the other day, these exceptions are that discriminations which are considered necessary under the Monetary Fund Agreement would be permitted such as the applications of the scarce monetary provision and one or two other technical exceptions. A further important exception is where inconvertible currency of another country is accumulated and can be used only by discriminating in favour of that country. Here again we are quite prepared to recognise the difficulty of applying balance of payments exceptions in a non-discriminatory manner in the immediate post-war reconstruction period. We do not want to be unreasonably rigid on that point; we recognise fully that production, trade and finance in many countries are rather seriously disrupted and for that reason we are quite open to consider amendments or changes in those provisions regarding non-discrimination under the payments exception in the early post-war transition period.

I might also outline in a few sentences the next Section, Exchange Controls, which is related so closely to it, just to get the whole picture. That can be done very briefly on the basis of our draft. That is Section (d). The basic provision with respect to exchange control is that exchange restrictions will not be imposed on imports from other members. That corresponds to the basic provision that quantitative restrictions will not be used, the one being regarded as an alternative to the other. The second paragraph of that Article provides that exchange restrictions can nevertheless be imposed in accordance with certain provisions of the Monetary Fund Agreement, such as the scarce currency provisions or the provision authorising exchange restrictions

with the approval of the Fund. However, we make a rather important qualification at that point. That is in relation to the fund transition period. Our draft would substitute the provisions for non-discrimination corresponding to those applicable relating to quantitative restrictions for those in the Fund Agreement relating to the transition period. Again I want to indicate^{that} what I said about our desire to give full consideration to that question of non-discrimination in the transition period will of course apply here.

That, Mr Chairman, in very brief outline, is the American draft on quantitative restrictions and exchange control.

THE CHAIRMAN: I think it might be useful at this stage to invite the United Kingdom delegate to outline the proposals put forward by his delegation. Before doing so I would draw the attention of delegates to the fact that the indicator to show when a delegate is speaking too rapidly or with insufficient pauses for effective interpretations, is now operating. It consists of a red light over the Interpretators' table and if you are committing a fault the light will indicate one long and one short signal. I should be grateful if delegates would keep their eye on the red light.

Mr HELMORE (UK): Mr Chairman, in spite of your having attempted to put me off my stroke by reminding me of the existence of the red light, I will do my best. In the opinion of my delegation this subject which we are discussing this morning is one of the critical points in the enterprise we are now engaged upon. I would only like to reinforce what my United States colleague has said on the importance of this matter by referring to a thing we all remember, that is that it was the rapid introduction by one country after another of restrictions because of difficulties in their balance of payments which contributed, I think I could say, a major part to the economic troubles of the 1930's. If we do not solve this problem we may wreck all the efforts that we are making in other ways to achieve the objectives which the draft charter lays down for us. We in the United Kingdom, I might perhaps say, are in a position to appreciate both sides of this problem. We are at

present imposing restrictions on balance of payments grounds and we are also suffering - if I might use that word - from the restrictions that other people at the moment are themselves forced to apply on payments grounds. We approach this matter with one principle very firmly in our minds, that is, that the subject of balance of payments generally is a matter which is already in the hands of another international agency, the International Monetary Fund. It is, therefore, clear that anything we may decide upon or agree upon in the trade field must be closely integrated with the work of the International Monetary Fund in the field of balance of payments generally. I do not mean by that that the I.T.O. can wash its hands of the subject and can say: We need not provide this at all because it is a matter for the Fund. Imposition of restrictions on trade is in our view very definitely a matter for the I.T.O. Therefore, the problem we have in front of us is to effect closest possible working relationship between the operations of the I.T.O. in this field and the operations of the Fund in the field of balance of payments generally. Delegates will see that in paragraph 5 of our note. We have said that we have written the draft on the assumption that there will be common membership. That is a difficult matter to which I would like to return at the end of my speech, after mentioning the cognate subject of exchange control.

If I might now return to the principles on which we have drafted our suggested article, they are, I think, best to be summarised in this way: from the point of view of expanding world trade and removing barriers, we want to see that the least possible use is made of restrictions on balance of payments grounds, and that they are only used in justifiable circumstances. On the other hand, we want to ensure that when there are circumstances that justify their use, proper provision is made for countries to apply them. We also feel that since world trade is now, at this moment, hampered by many balance of payments restrictions, it is desirable that as early a start as possible should be made in beginning to remove them - or, as I would prefer to say, to modify them and lessen their intensity. We attach a great deal of importance to the flexibility of these provisions so that countries will be encouraged to look at this, not as a choice between having balance of payments restrictions and not having them at all, but as a continuing problem of how far they can reduce the intensity of those restrictions.

So our solution, which is set out in detail in the paper which has just been circulated, is, first of all, to set down some guiding principles. I do not think it would be necessary or wise at this stage to go into the technicalities. Secondly, we leave it to the good judgment of each country to decide how far, in the light of those principles, it is essential for it to apply balance of payments restrictions. And thirdly, we provide that at any time if another country feels that someone else is using his rights under this article too rigidly, too intensively, or in a way which unnecessarily injures his commercial interests, he can make representations to the I.T.O. We then provide that those representations are to be considered in conjunction with the International Monetary Fund, and we hope we have succeeded in putting down on paper an article which provides for two things on this point: one is that the facts about

the balance of payments and the deductions to be drawn from these facts about the need for balance of payments restrictions shall be mainly considered by the Fund, and that the question whether the application of those restrictions unnecessarily injures the interest of another country shall be considered by the I.T.O. We attach very great importance to words which I invite delegations to study in the annex to our paper, in paragraph 5 at the bottom of the last page but one. The particular words are:

"in a manner which unnecessarily damages its commercial interests"

All those words have a particular weight. There is not only the question of damaging commercial interests - that may be inevitable. The words are "unnecessarily damages its commercial interests". And those words are repeated later in the same paragraph.

I think, while delegates are looking at that paragraph, I might invite attention also to the words "if these restrictions are not withdrawn or modified". There is a small typing error in the paper as circulated which makes the last word I have just read out "mollified". I should be grateful if that could be corrected to "modified". Again the word "modified" takes up the principle that it is very often the intensity of the application of the restrictions that is so damaging, and not so much the fact that the restrictions exist.

Well, Mr. Chairman, I would not like at this stage to take up time by going into all the details of the exceptions and definitions which we have put in the paper. I think it would be preferable for delegates to study those from the paper. I think I have said enough to indicate the spirit of our approach to this problem. However, I would like to go on to say one word about exchange control which my United

States colleague mentioned. Obviously we should not be rounding off our task unless we provided in some way that the rules we lay down for preventing unnecessary damage to trade are not frustrated by the application of special exchange restrictions or - a point which my United States colleague did not mention - competitive exchange depreciation. Those matters, Mr. Chairman, are broadly governed in the Articles of Agreement of the International Monetary Fund, and the obvious logic is that there should be common membership of the Fund and the International Trade Organization. And that is the assumption on which we have proceeded. However, I can quite see that it may be constitutionally difficult to lay down in the Charter of one organisation that people must belong to another organisation and, indeed, the difference in the design of some of the escape clauses and provisions about membership between the draft Charter and the I.M.F. Agreement may make that solution impossible, and we are ready to consider any suggestions which achieve the essential objectives of providing that members of the I.T.O. do, in fact, observe the rules of the I.M.F. which have a relation to trade problems.

THE CHAIRMAN: Thank you. The delegate for France.

M. ROGER NATHAN (France) (Interpretation): Mr. Chairman, we are at the moment faced with the American proposal and the British memorandum. I do not believe that this is the right moment for studying them both from the point of view of technical approach, but I do believe that it would be right and just for me to remind you here of the position France has taken in this respect. The position of France has already been expounded here on two occasions by M. Alphand. Nevertheless, I believe it to be indispensable to say once more what importance France attaches to the effort which must be made

to allow all of us to attain the objectives of the Charter. One of the things which may stop a country in the efforts which it ought to make, are the doubts which such a country may have on the subject of stability of its balance of payments and on the subject of maintaining the most necessary equilibrium. That is why, as has already been said by the delegates of the United States and of Great Britain, it seems to us that the items which are now to be discussed are among the most important and the most grave ones.

On the other hand, as you know already, France knows very well what will have to be the work in front of her; work which she will have to do to repair her economic system so that it may become completely competitive and that, as a result, the balance of payments of France may be placed in such a position that her stability may be assured through regular work. France does not take into consideration only her own position. France knows perfectly well that in taking such a position she is in full agreement with all countries which have, as she has, the need and duty to reform very profoundly their economic systems.

The delegate of the United States has understood how complicated these problems are, and we appreciate deeply the wide view and understanding which inspired his statement. The United States were the originators and the creators of the effort which we are all about to undertake and, at the same time, the United States recognises all the difficulties which such an effort will be faced with before it can be productive of good results. I must state how greatly we appreciate the spirit which has motivated the American delegation.

We are faced with two texts. These seem to us to serve as an excellent and useful basis for future discussions. We are not at the moment in a position to agree to the precise

provisions of the one or the other text, or at least, all the precise provisions of both texts, but we believe that by starting from those two texts as a basis, we shall be able to work most successfully and we shall best be able to produce a draft which will cover the needs of both.

THE CHAIRMAN: Thank you. The delegate for Australia.

MR. J.G. PHILLIPS (Australia): Mr. Chairman, the Australian delegation recognise the general line of approach of both the United Kingdom and the United States. They have recognised the importance of this problem and we feel that very acutely. Australia has been for many years particularly subject to balance of payments difficulties, for a number of reasons. External trade is of very great importance to our economy, and our export income is largely dependent upon a few primary products which are generally subject to large fluctuations, both in volume and price. Moreover, as a country which is still in the stage of industrial development, our imports include a relatively high proportion of capital goods.

Moreover, we are a debtor country, and have large interest payments to make overseas. All these factors make the balance of payments problem for Australia a very difficult one. From our point of view, therefore, it is essential that international agreements which we may enter into shall not unduly restrict our power to protect our balance of payments and our monetary reserves.

We recognise, of course, that the action we take does not affect only ourselves; it also affects other countries. We therefore recognise the need for some international supervision over the action which countries can take in this field. However, in the past Australia has been not only one of the first countries affected by difficulties which other countries have felt later, but also subject to special difficulties of her own, even at times when other countries were not much affected. Moreover, we have had some experience in the past of a tendency for some of the more highly developed countries to be perhaps not fully appreciative of our difficulties.

Since the provision of the International Monetary Fund would limit the freedom of countries to vary their exchange rates or to impose exchange control, it is of particular importance to us, if we become members of the Fund, that the chief remaining method by which we can protect our balance of payments - that is, quantitative restrictions - should not be unduly curtailed. It is for this reason that we would press for the inclusion in this Charter of some objective criteria for balance of payments difficulties. We feel that when a member's monetary reserves are clearly reaching an unduly low level, or when its position is such that this will happen in the near future, then that country should have an undoubted right to take remedial action. If its position meets these objective criteria quantitative restrictions should not be open to complaint or challenge by other members or by the organization.

We realise that there are difficulties in defining such objective criteria at suitable levels for each country, and that there are special difficulties in doing that at the present time when the future of world trade is so uncertain. We realise, too, that the level of the criteria must be reasonably low or they will defeat their purpose, as the United Kingdom Delegate has suggested, by allowing too widespread a use of import controls. However, even in the present circumstances we are not sure that the task of stating these criteria is impossible, and we think the possibility should be investigated. If that investigation discloses that the specification of criteria is impracticable at present, then we would like to suggest that some provision should be made in the Charter for objective criteria but that the actual levels of those criteria for each country should be determined later - perhaps towards the end of the transitional period.

We agree generally with the United Kingdom and the United States, that each country must decide for itself when it is in balance of payments difficulties and whether it needs to impose restrictions. It may well be that a country which cannot strictly satisfy the objective criteria which we suggest would, nevertheless, be fully justified in imposing restrictions. In this case we feel that the method of complaint and investigation by the organization and by the Monetary Fund, and possible disapproval, is suitable. There is one point there in the United Kingdom paper on which I am not quite clear. In paragraph 5 of the Annex it speaks of,

"Any Member-Country which considers that any other Member-Country is applying import restrictions in a manner inconsistent with the provisions in paragraph '1' to '4' above."

I am not quite clear whether "in a manner" there refers only to the type of restrictions that are being imposed, the way they are being administered, or whether it applies also to the fact of their being imposed. If the complaint is intended only to apply to the manner of their administration, or possibly the severity of them, I think that might alter our view somewhat.

There are a few other points I would like to mention in connection with the question of quantitative restrictions for balance of payments. We agree with the United States conception, that a country should have more freedom during the transition period than it has later. On the other hand, we agree, I think, with the United Kingdom suggestion that the length of the transition period should be open to extension for individual members. We agree also that during the transition period it should be possible for a member to use discriminatory import restrictions if they are necessary. I note the United States Delegate was prepared to reconsider his draft on that point. We also support the United Kingdom suggestion that there should be some provision for investigation into, and appropriate action taken if necessary, a case where balance of payments difficulties are causing a persistent and widespread application of quantitative restrictions.

Another point that has been raised, I think in this committee - but certainly in other committees by a number of countries - to which I think the French Delegate referred - was the question of countries whose difficulties because of the war, or whose policy of industrial development is likely to cause them possibly almost permanent balance of payments difficulties. We think that some provision could be made there for consultation with the organization, and for approval for those countries to apply quantitative restrictions for a period - perhaps three years - with the power of reviewing it at the end of the period. It really seems to me to amount to not much more than an

extension of the provision in the United States draft, which allows a country to impose restrictions to prevent a serious decline in its monetary reserves. The sort of import policy which countries of that kind may need will entail imports at a level which would run down their monetary reserves. I do not think I want to say anything more about that point at the moment, but we think some provision should be made for it.

On the question of discrimination in quantitative restrictions, of course we agree that in general they should be non-discriminatory. The exceptions set out in the United States and the United Kingdom drafts seem reasonable, but there is possibly another case where discrimination might be justifiable. We would just like to throw this out at the moment for consideration. If a member is applying import restrictions on balance of payments grounds it may be that his balance of payments difficulties are due to difficulties of either a fall in employment or a failure to use international resources by another country or group of countries, and we think that in those circumstances to make the restrictions non-discriminatory might merely spread those difficulties round the world, where it would be possible to confine them to the countries which are in difficulties at the moment. A particular case of that would be perhaps where other countries were also in balance of payments difficulties and were imposing import restrictions. Well, it might be unnecessary for a new country coming into difficulties to intensify the difficulties of those countries which are already applying restrictions, as it would have to do if the restrictions were non-discriminatory. The suggestion we would like to throw out is that there should be provision for the organization to consider a particular case, and if it thinks that permission for discriminatory restrictions would have a less harmful effect on world trade generally than non-discrimination, then provision should be made for discrimination.

Finally, on this whole question of balance of payments difficulties it seems to us that the provisions in this section of the Charter will depend very substantially on the type of provisions that are finally agreed in relation to full employment, stabilisation and expansion of effective demand. As we have stressed before, it will be very much easier for countries to accept limitations of their freedom of action in this field if they can be reasonably assured that the prospects are good for a steadily expanding world economy, and for stable and prosperous conditions in the main trading countries. Furthermore, if they know that in the event of these expectations not being fulfilled their obligations under the Charter can be reviewed and correspondingly modified if necessary it will be easier.

I would like to say a few words about the exchange control section, since that has been raised. We agree generally with the provisions in the United States draft. We are glad to note that the United States is willing to reconsider the question of discriminatory restrictions during the transition period. We are inclined to think that it would not be wise or proper for the trade organization Charter to, in effect, curtail the freedom which is given to a member of the Fund under the articles of the Fund.

We agree with the United States in not providing for common membership in the Organisation and the Fund. We do not think that a member should be compelled, if it wants to join one international body, to join another. I know that the United Kingdom Delegation have expressed a willingness to consider any suggestions that can be put forward on that point. I do not know that I want to put forward any at the moment, but I want to say that naturally we agree that members of the International Trade Organisation must be subject to some of the provisions, or similar provisions, of the Fund, but we do not think it is necessary they should be subject to all of those provisions. Members of the Fund get benefits under the Fund which are not open to non-members, and for that reasons, and other reasons, we do not think it is necessary to have precisely the same provisions applying to members of the Organisation as to the Fund. In particular, we are not satisfied that it is necessary to provide that the same provisions as regards exchange rate changes shall exist in the case of the Organisation as in the Fund.

I do not want to say much about that, except that we think a country is far less likely to alter its exchange rate recklessly or for unsound reasons than it is to impose quantitative restrictions or exchange control. The change in exchange rates has a much more widespread effect on the country's whole economy than the other things need have; and moreover, looking at the past, we are inclined to think that experience between the wars would suggest that a good deal more damage was done to world trade by the reluctance of countries to move their exchange rates early enough rather than by any tendency to move them too fast.

THE CHAIRMAN: At this stage I think it might be useful, since this matter is obviously very closely associated with the purposes and the administration of the International Monetary Fund, if we asked the representative of the Fund here whether he wishes to make a

statement to the Committee on this matter. What is the view of the Committee on this matter? As there seems to be agreement, I will ask the representative of the International Monetary Fund whether he wishes to make a statement?

MR. LUTHRINGER (Observer for International Monetary Fund): Thank you, Mr. Chairman, very much for your courtesy in permitting us to participate in these important deliberations of the Conference. We are vitally interested in its success.

Even before the days of the Bretton Woods Conference, a common feeling prevailed among those who were charting the course of the basic instruments of the Fund and the Bank that our twin brothers -- as the late Lord Keynes named them -- will need a third brother to help in the accomplishment of the common task of serving humanity usefully and successfully in its endeavour for economic security and for an ever rising standard of life.

The representatives of the participating countries of the Bretton Woods Conference included in the final Act Resolution Number VII, which recognises that the complete attainment of the purposes and objectives of the Agreement cannot be realised through the instrumentalities of the Fund and the Bank alone, and recommended to the countries of the world that they reach agreement as soon as possible on ways and means whereby they may best "reduce obstacles to international trade and in other ways promote mutually advantageous international economic relations - ... and facilitate by cooperative effort the harmonisation of national policies of Member states designed to promote and maintain a high level of employment and progressively rising standards of life."

We believe that an International Trade Organisation as envisaged by the Charter this Conference is constructing will help to fulfil this function and by grappling with the problems entrusted to it, will be not only of great assistance to the Member nations, but also considerably facilitate the work of the Fund.

The objectives of the two institutions are the same, only our labour is divided. It is understandable, therefore, that so many provisions are found in the proposed Charter, which refer to the articles of Agreement of the IMF and are complementary to them, particularly in Sections C and D of Chapter IV of the proposed Charter. The aims of these sections, namely, the eventual elimination of quantitative trade and exchange restrictions, is also one of our aims, Mr. Chairman, and we note with interest the methods by which this Conference is proposing that the Member countries with the help of the ITO should endeavour to do away with some of the destructive features of quantitative trade restrictions. We know that this is a hard and arduous task. We also realise that without a parallel policy in the field of international financial relations, this purpose would be doomed from the outset.

When the articles of Agreement of the IMF were drafted, it was realised that the Fund would start its operations soon after hostilities had ended, at a time when Member nations would be endeavouring to reconstruct their economies and would be contending with economic problems of unprecedented magnitude. It was felt that under such conditions the Member countries should during a transition period have considerable freedom in protecting their monetary systems while trying to fit their national economies into the overall pattern of the world economy. It was because of these considerations that Article XIV of the Articles of Agreement was adopted. This Article was thoroughly discussed at Bretton Woods and many Member nations felt that they would need this freedom of

action before assuming the obligation not to impose restrictions on the making of payments and transfers for current international transactions. Yet even this Article, Mr. Chairman, does not mean complete freedom for the Member countries to impose exchange restrictions or maintain them for a longer period than conditions warrant. Exchange restrictions imposed by Members under Article XIV will be under constant scrutiny by the Fund. The agreement requires Members to withdraw restrictions as soon as their balance of payments position is stabilised, and the Fund itself can make representations to a Member that conditions are favourable for the withdrawal of restrictions.

If the Fund should find that a Member persisted in maintaining restrictions inconsistent with the purposes of the Fund, it could declare the Member ineligible to use the Fund's resources.

These provisions of the Articles of Agreement will enable the Fund to play an active role in avoiding undue prolongation of the transition period. At the same time the Articles of Agreement are sufficiently flexible to take account of the particular circumstances of a country which may be facing unusually difficult reconstruction problems.

Proposals considered by this Conference which might have the effect of restricting the right of Members of the Fund under the carefully safeguarded provisions of Article XIV of the Fund Agreement, should, in our opinion, be approached with considerable caution and with full recognition of the complexities of the problems of the reconstruction period.

On the other hand, it would seem advisable to provide generally equivalent safeguards with respect to quantitative trade restrictions that may be imposed during the transition period for balance of payments reasons. Unless there is a reasonable correspondence between the transition features of the Fund's Articles of Agreement and the proposed Charter of the ITO, so

far as action is based on balance of payments considerations, there may be an unfortunate impediment to the contribution which the Fund can make, even during the transition period, to the expansion and balanced growth of international trade.

It is perhaps of even greater importance that, once the transition period is passed, action authorised under the Charter for balance of payments reasons be in harmony with the policies and operations of the Fund.

Since the subject matter of this Conference concerns so largely restrictions on trade, it is perhaps easy for observers like ourselves to get the impression that possibly a disproportionate emphasis is being placed on the use of trade restrictions as a means of preventing disequilibrium or restoring equilibrium in the balance of payments. Undue reliance on the use of trade restrictions for these purposes, particularly when associated with provisions which permit counter measures of the same character by injured countries, do of course carry a very real risk of an attempt to restore equilibrium on the basis of a contracting volume of world trade which may result in harm to all and benefit to none. We respectfully urge that there are other measures of adjustment which are less dangerous from this standpoint. One of the purposes of the Fund, as stated in Article I of the Fund's Agreement, is to give confidence to Members by making the Fund's resources available to them and thus to provide them with opportunity to correct balance of payment maladjustments without resorting to measures destructive of national and international prosperity.

Another method of adjustment in appropriate circumstances and under proper safeguards is the adjustment of the value of a country's currency.

It is the hope of the Fund that once the transition period is past most balance of payments difficulties can be met without resort to restrictive devices. Countries will, of course, be expected to make reasonable use of their gold and foreign exchange reserves to tide over temporary difficulties, but these reserves will be supplemented by the Members' quotas in the Fund, which in the aggregate total \$7,600 million. If the balance of payments deficits are due to temporary causes, use of reserves and quotas in the Fund may be all that is required. If the deficits are due to more fundamental causes, corrective action will be needed. It is the purpose of the Fund, however, to avoid corrective action of a sort that will be destructive of world prosperity. Deflationary measures that throw men out of work or measures that restrict world trade are steps that should be taken only as a last resort.

We do not argue, Mr. Chairman, that it is incorrect or unnecessary to provide for the use of trade restrictions for balance of payments purposes. We do feel, however, that in view of the specific contribution which the Fund is intended to provide to the solution of these problems, the mechanism which you are designing here should assure that before resorting to quantitative restrictions members will have adequately explored the other safeguards and measures available to them for meeting balance of payments difficulties.

It is the view of the Fund that it would be both undesirable and impractical to attempt to define by formula or specific criteria the precise kind of balance of payments disequilibria or monetary reserve conditions which would justify quantitative restrictions on imports. These are complex matters.

Each case should be considered in the light of its particular circumstances. It was found to be impracticable to define fundamental disequilibrium in the Articles of Agreement. There is not even in the Articles a definition of balance on current account although there is a listing of specific items which without limitation are to be considered payments on current account. It is the view of the Fund that the establishment of precise criteria is so complex as to be impractical and that vague general criteria will invite confusion and inappropriate use.

The alternative would appear to be that the ITO should request the Fund to make a finding as to whether the balance of payments and reserve position of a country were such as to warrant the restriction of imports, and similarly to consult with the Fund as to the progressive relaxation and removal of these restrictions as balance of payments and reserve difficulties were eased.

It would seem desirable in the post-transition period, that consultation precede the adoption of restrictions as will be required in the case of exchange control measures authorised by the Fund under Article VIII of the Fund Agreement. If this is not regarded as feasible, there should at least be automatic and full consultation immediately after restrictions are imposed, and the restrictions should be regarded as tentative until after I.T.O. approval. Unless there is close liaison along these lines we may well be confronted with a situation in which two international agencies will be operating in or permitting member action in the monetary and balance of payments sphere under conflicting criteria and policies.

Mr SPEEKENSBRINK (Netherlands): Mr Chairman, of course I have not had the time to study the United Kingdom paper, so I would confine my remarks to the United States draft. In the first place I would like to say that for the Netherlands and the Netherlands Indies the question of the transition period is of vital importance, and we think it is of great importance for the success of the Conference that we get flexible formula which will take due account of the special difficulties in which - I think I may use the word - war devastated countries find themselves. I have no doubt that that will come up when we discuss these two drafts in more detail.

There are only two remarks I wish to make with regard to the United States draft. I would like to state that the Netherlands Delegation is in agreement with the spirit of Article 20, but would like to clarify the position on two technical points. We do not think that the Article, as it stands now, does absolute justice to the outcome of modern economic theory. In the old days we were taught that there was only one equilibrium to the balance of payments, usually called the natural equilibrium. We know now, however, that the theory of economic equilibrium is much more complicated than was previously assumed. Modern economic theory proves that, given a certain economic constellation, several equilibria are attainable on different levels.

In particular a deficit on the balance of payments may be avoided at the price of considerable unemployment at home. Though we do not wish to imply that the equilibrium of the balance of payments is not worth a sacrifice, no Government can under the present circumstances afford to entirely disregard the level of employment at home. I would therefore like to put on record that the Netherlands Delegation wishes to interpret the equilibrium in the balance of payments in such a way that a satisfactory level of employment is maintained.

The second observation of the Netherlands Delegation appertains to the interpretation of the words "current account" as used in the context of Article 20 of the Charter. Article 19 of the Articles of Agreement of the International Monetary Fund defining current transactions includes payments of moderate amount for amortisation of loans for depreciation of direct investments. Owing to the extent of war-damage in the Netherlands, the Netherlands Government was obliged to take up considerable credits in foreign exchange in order to be able to execute the rehabilitation programme. For the time being the majority of these credits are at short or medium term, which means that a considerable part of them will have to be redeemed during the transitional period. Under these circumstances we are compelled to consider the redemption of these loans as current obligations thus giving a wider interpretation to the equilibrium on the current account for which the last clause of Article 19 of the Articles of Agreement of the International Monetary Fund, which reads: "The fund may after consultation with the members concerned determine whether certain specific transactions are to be considered current transactions or capital transactions", seems to open a possibility".

Mr LOKANATHAN (India): Mr Chairman, in spite of the considerable time you afforded us to discuss this subject, I think we still feel a certain amount of handicap because we are not able to give that amount of consideration to the United Kingdom memorandum as well as to the very valuable statement presented by the representative of Monetary Funds. I think we all agree in attaching the greatest importance to the subject of balance of payments,

but unfortunately the balance of payments problem is not a single problem at all. It is in reality only a convenient form of expressing our country's internal or external difficulties. Therefore, it is like a thermometer registering the temperature, but whether the high temperature is due to one cause or another we cannot tell. Again, as the Netherlands delegate rightly pointed out, it is not a simple concept as to why a country has a deficit balance. It is very difficult to explain except in relation to the economic and social problems which that country has adopted. It is not a question of restoring it back to the original position. Unfortunately that cannot be said of any country. In advanced industrial countries the problem is as the Netherlands delegate pointed out, maintaining employment. In the less advanced countries it is a question of bringing about a higher level of activity. Therefore the balance of payments problem is at present, to a country like India, very different/ ^{from that} of a country like Great Britain which is obviously suffering from a balance of payments difficulty today. It is not really the result of the war, but is also due to the social and economic policies which exist.

Here the remarkable statement made by the Monetary Fund representative is of vital importance, because it is a question of by what means you are going to solve this problem. I think the use of "quantitative restrictions", except for very temporary periods and a very short period of time, is not desirable at all, because it is simply postponing the more important adjustment. That adjustment has got to be made some time or other, either by that country acting by itself or in co-operation with other countries. There are several means of adjustment, and in the course of our deliberations we went into the question of what are the matters to be modified in order to maintain employment, what are the adjustments to be made in relation to the cost of reconstruction, and so on. These are all very important considerations, and therefore to use quantitative restrictions for a purpose of this kind is simply either creating more permanently a

difficult problem, or simply postponing the solution of this problem.

As I was saying, the United States Charter does not, for instance, give adequate attention to the use of such resources as may be available to certain countries. When you talk of the difficulty of a deficit in balance of payments, it means that normally you have not enough resources to go on with. On the other hand, certain countries may have a limited amount of resources, and those resources have got to be utilised in the best possible manner. Before they even result in a deficit in balance you have to plan ahead and to see that the resources that are available are used more effectively and more profitably in the sense that they should be utilised for the importation of different types of goods, for instance, capital goods and so on. This is due to the fact that the totality is not adequate in relation to the total requirements. Therefore, the balance here is rather different from the sort of balance of trade problems of a country which normally has got exchange resources, but on account of various changes in its circumstances are finding themselves in a difficulty. On the other hand, when you speak of undeveloped countries, the total resources necessary for the purposes, including favourable anticipated balance of trade, and including any loan that a country may resort to, may be just adequate and nothing more than adequate for its requirements, provided those resources are utilised in the most careful manner.

Again, there are circumstances when countries which need capital may not be in a position to get the capital in quantities, and in time that may be most suitable for that country. Therefore, in such circumstances they can utilise a certain amount of quantitative restriction, or a certain amount of distinction could be made in the nature of the use of those funds, which may be justified. Therefore, this is a circumstance which has got to be provided for. I entirely agree with the Australian delegate when he said that they should provide for cases where the totality of resources available to the country would not be sufficient unless a distinction is made between this fund.

We also attach very great importance to the question of the transition period. An agreement on the period of transition is very important for countries, and the question as to how long the period would be is again a matter on which no rigidity is possible. Some countries may want it for five years and another country may want it for ten years. Therefore, in regard to the transition period, a greater degree of elasticity should be allowed.

There is only one other point^{to} which I would like to refer, and that is, so far as countries like India are concerned, the question of quantitative control of a disconnected type will have to be gone into with some attention to our own position. It is true that exchange control in a disconnected manner is provided for to cover cases of unconvertable currencies.

There we should like to know from the U.S. delegate whether, if any arrangements are entered into between India and the U.K. in respect of India's sterling balances, it will be possible for us to have any preferential arrangement in the matter of utilising our sterling balances? Would that be regarded as discriminatory supposing we agreed to buy as large a quantity of goods from the U.K. as would clear our own balances? Also we would like more clarification because we do not know how far the currencies will be inconvertible, and in the Anglo-American Agreement provision is made for releasing a certain portion of the currency from time to time. However, supposing, as part of the agreement, India decides to buy more in order to clear the balances more quickly, is it possible to do that without violating Article 22? That is another point we would like to make. On this subject there are a number of other important considerations, and we should be grateful if opportunity is given at some later stage to consider this matter more carefully.

THE CHAIRMAN: Thank you. The delegate for Belgium.

M. d'HALEWAST (Belgium)

I would like to make a short

statement in the name of the Belgian delegation. Firstly, we second the point made by the delegate of the International Monetary Fund. The application of Articles 20 - 24 raises, indeed, a problem for the countries which are members of the International Monetary Fund. These countries recognise the authority of the Fund in the matter of exchanges, and we believe that the Fund must be able to control the financial policy of the members. The Belgian delegation believes that this will not need to take in engagements beyond those which they have undertaken under the Fund. Thus, in the transitional period foreseen, there might be some difficulties concerning the powers between the Fund and the I.T.O. In

this respect we would be interested to have all the necessary explanations. Especially we would like the extent of Article 23 to be explained more precisely in its relation to Article 14 of the Fund Agreement. Moreover, with the Netherlands, we believe that the balance of payments is not a clear enough criterion, and that one should take into account the conclusions of Committee No. 1.

THE CHAIRMAN: The delegate for Brazil.

SENHOR RODRIGUES (Brazil): The Brazilian delegation believes that countries should be permitted to impose quantitative restrictions on imports, for balance of payments reasons, in three senses: (a) when such country actually has a deficit in its balance of payments; (b) when there is an evident probability that such deficit may develop in the near future; (c) when a country has very low monetary reserves.

Such restrictions should, however, not be permitted unless (a) in respect of the first two cases foreseen above, a country does not possess high exchange reserves; or (b) the International Monetary Fund or the Bank cannot supply or guarantee to supply the necessary means (i) in respect of the first two cases foreseen above, to cover such existing or probable deficit, and (ii) in respect of the third case foreseen above, to compensate for the lack of reserves.

The Brazilian delegation further propose that in the computation of exchange reserves, exceptional reserves accumulated during the war should not be included, as they represent, in the main, imports necessary for the maintenance of the real capital of a country, which such country was unable to make during the war.

The Brazilian delegation also suggests that countries in the early stages of industrial development should be permitted to reserve part of their exchange receipts on current account for the purpose of industrial development, and to be permitted to

impose such restrictions on imports which, without restricting total imports, allow of the selection of imports in accordance with the requirements of industrial development.

The Brazilian delegation believes that there would be no need for special provisions as to balance of payments restrictions during the post-war transitional period if the present proposals should be accepted by the Committee. The Brazilian delegation wishes to express its full agreement with the remaining provisions of Article 19 of Section C of the American draft charter.

THE CHAIRMAN: The delegate for Canada.

MR. DEUTSCH (Canada): We are very grateful for the statements made by the United Kingdom and the United States delegates. We agree that the member countries must have appropriate remedies for their balance of payments difficulties. The criteria, however, for the use of these remedies are of very great importance. We feel that the criteria should include both the question of the movement in the balance of payments and the state of the country's monetary reserves. Both these factors are, we consider, both important and indispensable. The American draft, we feel, does not give sufficient importance to the second of those criteria, namely, the state of a country's monetary reserves. The British formulation, in their annex Article 1, we feel gives the question of the state of monetary reserves their proper balance in the criteria, and therefore we would prefer the British formulation in that respect.

The Australian delegation have discussed the possibility of developing objective criteria. We are doubtful whether, at this stage, it will be feasible to agree upon objective criteria, and I think there is a great deal in what the representative of the Monetary Fund has said about the great practical

difficulties of finding such objective criteria. The Australian delegation has suggested also that study might be given to this problem in the future. That, I think, is something that can be undertaken, but I do not think we should attempt at this stage to try to find these objective criteria.

On the question of discrimination and the use of quantitative restrictions on balance of payments grounds, we feel that some discrimination is inevitable during the transitional period for countries that have had their economies badly disrupted by the war. That was recognised in the Articles of the Monetary Fund, and we do not feel that we should attempt here a major departure from what had been agreed upon in the discussions at Bretton Woods.

The question of non-discrimination and the longer run period. We have been concerned about the provisions in the American draft requiring non-discrimination with respect to products, at least as far as practicable. We are glad to hear that the American delegate is prepared to reconsider that requirement. Clearly, when a nation is in balance of payments difficulty, it will have to have some regard to the nature of its imports as well as the total of its imports, and there should not be a rigid requirement against non-discrimination on products.

Finally, we attach a great deal of importance to the provisions regarding exchange control in this charter. We note that the American draft has no provisions regarding exchange depreciation. We think this is a matter that cannot be left open. Clearly the countries that are members of the Monetary Fund have undertaken certain obligations respecting the use of exchange depreciation; they must abide by certain rules and certain safeguards are set up. If members of the Trade Organization who are not members of the Fund have complete freedom in respect to exchange depreciation; clearly that

freedom may be used in a way to the great disadvantage of the members of the Fund and of the Trade Organisation, both with respect to the competitive position in world markets and with respect to the value of the trade obligations that have been undertaken. Therefore we regard this as a very important matter. The simplest solution, of course, would be if there was commercial membership in the Fund and in the Trade Organisation. Then the same rules would apply automatically to all members of the Organization. If that requirement is not practicable, then we feel there should be included in the Trade charter appropriate provisions regarding the important matter of exchange control and the use of exchange depreciation.

THE CHAIRMAN: The delegate for Chile.

SEÑOR VIDELA (Chile): Before I mention some notes I have here, I would like to ask you, Mr. Chairman, whether I may confine my remarks particularly to Article 19. My notes are on Section C, quantitative restrictions, and relate to paper C.2.W.13.

THE CHAIRMAN: Article 19 was discussed in General Committee at its last meeting, and was the subject matter of quantitative restrictions for purposes other than the protection of the balance of payments. It was, I think, referred to a Sub-committee at that meeting, and I would prefer it, therefore, that if you have further views to express on the question of quantitative restrictions for purposes other than the balance of payments, that you leave it until it is dealt with in that Sub-committee.

SEÑOR VIDELA (Chile): The Sub-committee on Procedure?

THE CHAIRMAN: No. The proposal was that the quantitative restrictions generally, including the matter we dealt with at the last meeting, and the balance of payments, should all be referred to a Sub-Committee to be set up after this meeting. I am anxious not to get this discussion back on to the general subject matter, and I would suggest that you confine your remarks here to the balance of payments issue.

I follows

MR. VIDELA (Chile): Then I think I will reserve my speech for the moment.

MR. AUGENTHALER (Czechoslovakia): I have only one or two remarks to make about the proposals. I would like to state that Czechoslovakia, in general lines, would favour the British proposals. I would also like to stress that if we speak about monetary reserves and so on it is very important that it should be understood they are reserves in convertible currencies. If we talk of the balance of payments in inconvertible currencies I cannot see how it would help in the removal of import restrictions. You may ask why a country, seeing that such a situation is developing and that an important part of its export goes to a country with an inconvertible currency, is continuing those exports. Well, it is quite natural and simple. If you are faced with the situation of either exporting to some country with inconvertible currency and taking the risk of having frozen balances, or having big unemployment at home, of course you have only one possible choice, namely, to protect your employment.

We think that each country has its own particular position, which is given by their geographical and economical situation. This situation is extremely important, because no country - even a great Power - is entirely master of its own commercial policy. The commercial policy of each country is more or less also given by the commercial policy of other countries. If a country is in the situation where an important part of its exports or balance of payments is with those countries which still have monetary difficulties, or which for some reason is maintaining controls, I cannot see how that country would be able to remove its restrictions for certain countries while maintaining them for other countries, because that is a practical impossibility. The restrictions may be handled in different ways, but they cannot be entirely removed.

I think each country will be able to see that matter clearly only at the moment of the Plenary Conference, because then each country will see which other countries are ready to remove their restrictions. Although we suppose the rules should be so flexible as to allow each country to take into consideration their peculiar and particular monetary and geographical position, and although it is something which is very difficult to define, the question is one more of the general feeling of safety. You know well what it means, and what effect what we called "hot money" had before the war. This problem is more important for certain countries than for others, but we suppose that there should be certain provisions inserted to meet the case.

MR. H. S. H. HSU (China): The Chinese Delegation is in general accord with the provisions of Article 20 of the American proposed Charter, except for one point, namely that concerned with this transition period. The American Charter provides that quantitative restrictions should not be imposed or maintained beyond the period of December 31st, 1949, except without consultation with the I.T.O. and the members affected. Since the purpose of this article is to restore the equilibrium in balance of payments, why should we make any fixed date? No fixed date could be applied to the articles. Paragraph 3(a) of Article 20 provides that such restrictions should be progressively relaxed until this balance of payments is achieved, or the monetary reserves considered adequate. Even if that is the case, why should we not just make this transition period considered to be concluded when the balance of payments is achieved or when the monetary reserve is considered adequate?

Therefore, from our point of view we should not make any fixed date as to this transition period for the purpose of restoring equilibrium in balance of payments. In regard to the section to safeguard and facilitate the requirements of quantitative restrictions

for industrial development, we have prepared a paper to suggest that there should be revision of that section as a separate article to provide for various requirements of industrial development. We suggest that article should be entitled "Restrictions to facilitate industrial development." But I will not now take up the time of the Committee with that Paper.

MR. J.P.D. JOHNSON (New Zealand): New Zealand concurs in the views which have been expressed by other Delegates to the effect that the decision whether a country is in balance of payments difficulties must be left to that country, and that any rules which may be framed should be sufficiently flexible to safeguard the legitimate interests of such countries.

In the statement which I made recently on the general question of quantitative control of imports I called particular attention to the position of New Zealand in so far as her economic structure was bound up so closely with overseas trade. I indicated her sensitivity to overseas conditions, and the constant pressure which would be made on overseas funds available to her for the consumer as well as for capital goods. In such circumstances it is essential that she should have constantly available to her means for safeguarding her position in so far as her overseas funds are concerned. It is recognised that any control applied should be operated in a manner less restrictive of trade. We would suggest that if a country takes active steps to utilise to the maximum for imports the funds available for that purpose that should satisfy any requirement in that connection.

For the time being there is a difficulty in obtaining from certain countries all the goods that it would be desired to import, as such countries are not in a position to supply. It is possible that these conditions might obtain for a considerable period. But as soon as the supply position improves there will be a flow of imports, which will

result in a heavy demand on overseas funds. Therefore, I would suggest that in considering this question from the point of view as to what level of funds should be available, regard should be had - as suggested by the Czechoslovakian Delegate - to the actual position of the country concerned, and that no criteria should be laid down which would be too limited in application.

MR. J. MELANDER (Norway): Mr. Chairman, I would just like to say I wish to reserve my statement.

THE CHAIRMAN: I think this discussion has reached a stage where we could profitably refer the matter to a drafting committee for the preparation of a draft for consideration of the committee. I think the discussion has been very hopeful in that on almost every point there is a substantial body of agreement on the principles involved. The differences appear to be substantially ones of degree rather than of principle.

It does, for instance, seem to be generally agreed that quantitative restrictions should be capable of being used for the protection of balance of payments, and that the question of whether such a need exists should be a matter, in the first instance, at any rate, for determination by the country concerned, acting upon previously agreed principles. There does seem to be a fair degree of agreement about the nature of those principles.

I think the most important point which has been put forward by a number of countries is the suggestion that in certain countries temporarily, where they wish to restore their economies after the devastation of the war or perhaps for longer periods where they are undertaking substantial longterm developmental programmes, that there may, so to speak, be a tendency of a continuous nature towards balance of payments difficulties arising from those policies which should make it possible for them to take action to select their imports, and thus prevent the appearance of balance of payments difficulties perhaps in advance of their reserves being seriously depleted down to levels which might otherwise be required. But apart from that point, and one or two minor ones, I think there was fairly general agreement as to the principles which should guide countries in the application of quantitative restrictions.

Furthermore, it would seem to be generally agreed that, while each country should in the first instance be enabled to act on its own decision, there should be a right of complaint in cases where other countries felt that the action had been taken unwisely or in a manner detrimental to their interests.

It was suggested by the Australian Delegate that this right of complaint should be limited, and that it should not exist where certain objective criteria as to the condition of a country's balance of payments had quite clearly been observed. But attention was drawn to the difficulty of stating such criteria clearly, certainly at the present time.

There was, I think, also general agreement that there should be a transition period during which the full rigours of the obligations countries are to accept here should not have to be assumed. There was a difference of opinion about the suitable length of that transition period, or the terms and conditions under which it might be extended.

Similarly, with regard to the administration of quantitative restrictions, there was, I think, general agreement with the basic principle of non-discrimination, although there were some variations in the exceptions to that general rule which were put forward by various Delegations. There seemed to be agreement that at any rate exceptions should be provided in circumstances covered by the scarce currency provisions of the International Monetary Fund, and where it was necessary to impose discrimination in order to be able to take advantage of balances of inconvertible currencies.

There was an additional point raised here about which I think there would be some difference of opinion, that discrimination might be permitted, subject to the approval of the ITO, where quantitative restrictions were becoming necessary to protect the balance of payments, where it was believed that those balance of payment difficulties derived from a failure of effective demand in other countries.

The last remaining point on which some careful thinking will be required is the relationship between these provisions under the Charter of the ITO and the very closely related provisions of the Articles of Agreement of the International Monetary Fund. I think there was here, too, an agreement that in this field the two organisations would have to work fairly closely together, but at the same time it was recognised that some countries may not wish to be

members of both, and that will immediately raise the problem of whether such common membership should be required, or if it is not required, how far it would be necessary to introduce provisions in the ITO Charter which would not be necessary if membership were completely common.

I think that, with that review, we could, with your approval, refer this matter to a Drafting Committee, which I would suggest should deal not only with the material covered by Articles 20, 21 and 22 of the United States Draft Charter, but also Article 19, and also Section D relating to Exchange Control, covering Articles 23 and 24. The Sub-Committee would have before it not merely the United States Draft Charter, but the document presented by the United Kingdom Delegation this morning, and certain other documents presented by the Delegations of Brazil, Czechoslovakia, Australia, and also a document from the Polish observer. I think certain other Delegates indicated that they would propose to submit specific documents on this matter. I think we have one also from the New Zealand Delegation.

MR. AUGENTELLER (Czechoslovakia) I am wondering whether also Article 32 should not be discussed by this Drafting Committee.

THE CHAIRMAN: We referred Article 32 to the Technical Sub-Committee of this Committee for consideration and the preparation of a draft. I take it, then, that the Committee is agreed to the establishment of a Drafting Sub-Committee at this stage. It will be quite clear that when the Drafting Sub-Committee's work has been completed, their report will come back to the full Committee for discussion and consideration. For your consideration, I suggest that the Sub-Committee on this question might include the following countries: United States, United Kingdom, France, Brazil, Australia.

MR. NATHAN (France) (Interpretation): I think we might also, if the Committee agrees, ask the representative of the International Monetary Fund to take part in the Drafting Sub-Committee.

THE CHAIRMAN: I did propose to suggest that the Drafting Sub-Committee might invite the representative of the Fund to participate in their work. Would the representative of the Fund be prepared to participate?

MR. LUTHRINGER (Observer for International Monetary Fund): Yes, Mr. Chairman.

THE CHAIRMAN: In that case, it is agreed that we refer these matters now to the Drafting Sub-Committee, consisting of the representatives of the United States, United Kingdom, France, Brazil, Australia, with the representative of the International Monetary Fund in attendance for their assistance.

MR. SPEEKENBRINK (Netherlands): Ought we not to include a member of the Asiatic group? I would suggest the Delegate of India.

THE CHAIRMAN: I take it that is agreeable to the Committee? We will add the Delegate of India to the Drafting Sub-Committee. The Committee is now adjourned.

(The meeting rose at 12.55 p.m.)