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ECONOMIC AND SOCIAL COUNCIL

PREPAREDATORY COMMITTEE

of the

INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report

of the

THIRD MEETING

of the

SUB-COMMITTEE of COMMITTEE II

on

QUANTITATIVE RESTRICTIONS AND EXCHANGE CONTROL

held in

Room 230, Church House, Westminster, S.W.1.

on

Wednesday, 13th November, 1946

at 3.0 p.m.

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

(From the Shorthand Notes of  
W.B. GURNEY, SONS & FURNESS,  
58 Victoria Street,  
Westminster, S.W.1.)

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THE CHAIRMAN: You have in front of you, I understand, the revised drafts for Articles 20 and 22 prepared by our Rapporteur. These deal with balance of payments exceptions and also exceptions from the rules on non-discrimination. Would you like to say anything at this point?

THE RAPPORTEUR (Mr Meade): May I say one word, Mr Chairman? Perhaps I might just try to outline the way in which, as Rapporteur, I have attempted to square the circle and to give a document which, with a little compromise, but not a great deal, <sup>from</sup> certain delegations, one might get an almost agreed draft. The way I have tried to do it is this. You will see that I start with Article 20, and might we take them Article by Article, because I think that would be simplest?

THE CHAIRMAN: Yes.

THE RAPPORTEUR: As far as Article 20 is concerned, paragraphs 1 and 2 are practically the same as the United Kingdom draft. There is almost no change. In paragraph 1, at the end of the first sentence, I have put in the phrase, "and as a step towards the restoration of equilibrium on a sound and lasting basis," because there are some delegations, and I think in particular the French, who would like a pointer there to the fact that while they are carrying out a reconstruction of their economies certain countries will find it necessary, on balance of payments grounds, to restrict imports of certain inessential goods; but the whole measure will in fact be a step towards a more lasting equilibrium of their balance of payments. Paragraph 2 refers to the guiding principles, which are I think almost word for word the United Kingdom draft. Paragraph 2, from (a) to (e), is really a new paragraph, in which I have attempted to square the circle, and perhaps I could explain the way in which I have tried to do it. Certain delegations, in particular the United States - and in this I think they were supported by the Observer from the Fund - are very anxious that there should be at least consultation between the members imposing restrictions and the international organizations in order to see as soon as possible whether there are alternative methods open for dealing with the situation. It is

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not proposed, I think, that the international organizations, certainly not proposed in my draft and I hope not held by any delegations, should have the power of forcing a member to adopt an alternative which it does not wish to adopt, but that it should have the opportunity of generally discussing the matter with the country in question. Now, that point I have tried to meet in paragraphs 3 (a) and 3 (c). Paragraph 3 (a) says that a country which is imposing restrictions for the first time should consult before it does so; it is not committed by that consultation not to impose restrictions if they are necessary on balance of payments grounds or to achieve any alternative. It simply says that it will consult before doing so. Article 3 (c) says that a country which is already imposing import restrictions agrees to take part in such consultations if invited to do so by the international organizations. Now, there is another point, Mr Chairman, which I have tried to meet to the same extent in paragraph 3 (b), which is the point raised mainly I think by the Australian delegation, though I think other delegations have a similar point in mind, namely, if a country wishes to obtain some certainty in its action and wishes to impose restrictions with the certainty that they cannot be challenged, then they may at their own initiative - it is not "must" but "may" - go to the organization in advance and get approval for the restrictions which they are going to put on, and in so far as they get approval then they cannot subsequently be challenged. Paragraph 3 (d) is almost exactly I think the United Kingdom draft for the challenging of these restrictions and the sanctioning of members, after consultation, in case the organization find that they have been applied inappropriately or in a way which causes unnecessary damage to the commercial interests of other members.

Now, 3(e) is a very important clause from the Rapporteur's point of view of trying to get agreement. 3(e) says two things. 3(e)(i), really, <sup>is</sup> looking back to my 3(b), which says that you cannot be challenged if you have got the previous agreement of the Organisation; and 3(e)(ii) is a pointer which says that you cannot be challenged merely because if you gave up your domestic policies for industrial development or for the reconstruction of your economy or for full employment or for nutritional policies or things of this kind which may cause a peculiarly large demand for imports of a particular kind, and that that does in fact put you in anticipated balance of payments difficulties, the Organisation cannot recommend sanctions against you on the grounds that your restrictions were not necessary because if you gave up these policies you could import as much as you would want to import. Paragraph 4 reinforces that by saying that assuming you really are in balance of payments difficulties and are imposing restrictions justifiably, you can select your imports in a way which will promote your internal policies; namely, a country which has an industrial development or reconstruction programme can allow machinery, let us say, and if that uses up its foreign resources so that it has not enough also to let in luxury consumption goods it can select luxury consumption goods as the goods which it will restrict; but again it is added, and I think rightly, that the member will do all it can to avoid unnecessary damage to the commercial interest of other members and will accept an invitation to consult on this. Paragraphs 5 and 6 are, I think, word for word the same as the United Kingdom draft, and I am not aware of their having been challenged. I have therefore put them in as they stand. That is broadly speaking the line of attack. I think, Mr Chairman, it is now open to find out whether it obtains any measure of agreement or not.

THE CHAIRMAN: I think we are grateful to the Rapporteur and might express our thanks in advance of the criticism which we may have of his work. Does anybody wish to comment on these draft articles?

MR GUNTER (HSA): I think this draft article represents a very excellent job of reconciling the different views, and I think it goes a long way towards getting us together on an agreed article. I would like some discussion, though, on the first two paragraphs, particularly the second, in that I wonder if it is

really necessary or desirable to have the second paragraph, in view of the consultation provisions and so forth; in other words, I am questioning the feasibility of setting up criteria as a means of judging when a country is in balance of payments difficulties. I think there has been a great deal of discussion already, particularly in the debate in the full Committee, as to whether it is actually possible to set up principles that are not to be subject to misuse.

THE CHAIRMAN: You mean paragraph 2 of Article 20?

MR GUNTER (USA): Yes. In other words, what I meant to be saying was this: that this Article beyond paragraph 2 sets up a system of consultation and review so that countries do not violate their privilege of imposing quantitative restrictions for balance of payments reasons. What I am suggesting is that, in view of that procedure, I think it is probably undesirable to attempt to set out principles determining when a country is in balance of payments difficulties. I am talking in particular about paragraph 2(a), (b) and (c).

THE CHAIRMAN: Are they criteria for indicating when a country is in balance of payments difficulties?

MR GUNTER (USA): Well, I think that is in effect what they are.

THE RAPPORTEUR: Might I explain what was in my mind in keeping both paragraphs 2 and 3? What was in my mind was that the possible challenge under Article 3(d) would essentially be a challenge that the member was imposing restrictions in a way which was not compatible with the guiding principles of paragraph 2.

MR GUNTER (USA): That is right.

THE RAPPORTEUR: The consultation in 3(a) and 3(c) in particular would be consultation about whether there were alternative means of doing it; therefore in the scheme I have tried to put before the Committee both are essential. The consultation is primarily as to whether there are alternative ways of meeting the situation. The challenge under 3(d) is whether the thing is necessary assuming there is not an alternative means under the guiding principles of 2.

MR GUNTER (USA): Mr Chairman, I understand quite clearly the point that Mr Meade is making, and it is precisely the effect of paragraph 2 on the complaint procedure, and what I am suggesting is that type of thing which happens with

IMF where the IMF approves or disapproves of exchange controls on a case by case basis: in other words, they build up a sort of case law over a period of time; they do not attempt to set forth criteria or principles which determine when exchange controls are necessary; and what I am suggesting is something similar to that.

THE CHAIRMAN: Presumably complaints would be the exception?

MR GUNTER (USA): That is right.

THE CHAIRMAN: Is it not desirable, in order to avoid complaints, that a country should be aware of principles which would, if adhered to, in effect protect it against the possibility of complaints?

MR GUNTER (USA): I think that would come out quite clearly in the consultation procedure.

THE CHAIRMAN: But there may not even be consultation. Presumably you do not want consultation if what is done by the country is in order - if the circumstances require action and the action is of a kind which is not unnecessarily harmful of other countries' interests?

MR GUNTER (USA): I think in most cases there will be consultation. As a matter of fact, I was going to propose, in connection with paragraph 3(c), that there should be a general review within a specified time of existing restrictions or restrictions in force at the time the Organisation begins operations; in other words, the Organisation would be in effect instructed to carry out a review of every consultation between countries maintaining restrictions at the time the Organisation begins. I think that type of thing is acceptable, and I think even without that the Organisation to carry out its duties would want to consult with the members that were maintaining restrictions. I do not see how otherwise it would carry out its functions.

MR SHACKLE (U.K.): May I ask what advantage the United States delegate sees in the particular method which he is now suggesting as distinct from the one which is embodied in our own draft? It seems to me that in Article 20 of the United States draft we have in paragraph 3 something which is not very widely removed from the sort of criteria which we are attempting to lay down in paragraph 2 of this draft. I should like to be a little more enlightened as to why it would be an advantage to drop these criteria - what we gain by so doing.

MR GUNTER (USA): Well, the criteria that we inserted in the draft charter are criteria that really entirely relate to balance of payments disequilibrium, taking into account the right to impose restrictions also when there is a contemplated deficit. This paragraph, as the United Kingdom delegation has drafted it, is a much broader thing than that, bringing in the concept of safe reserves and principles along that line which might very well in effect give countries quite a free hand to impose restrictions merely for the purpose of building up reserves and would result in the contraction of world trade; and we do not want the Organisation tied down in allowing that type of restrictions for that purpose. Do you understand what I am getting at?

MR SHACKLE (U.K.): It is rather a question of degree, is it not? You talk about light deficits and very light monetary reserves, and I do not see any essential difference really.

MR GUNTER (USA): Under your wording you can have either a deficit or you can simply impose restrictions to build up safe reserves. Who is going to say what safe reserves are?

MR PHILLIPS (Australia): On the other hand, under the United States draft you could impose restrictions even though your reserves were increasing.

MR CLARKE (U.K.): I think the answer to the U.S. delegation is that the same people would say whether a member attained adequate monetary reserves in the U.S. draft charter.

MR GUNTER (USA): It is true that that provision is in there, but during the course of this conference we have come increasingly to doubt the feasibility of criteria to meet the situation.

MR CLARKE (U.K.): Could I ask, through you, Mr Chairman, whether what the U.S. delegation really wants in this paragraph 2 is just something to read as follows: "Members may impose or maintain import restrictions if the ITO agrees that they should do so"? That literally, surely, is what you want, is it not?

MR GUNTER (USA): We are not suggesting that paragraph 3 should be substantially altered.

MR CLARKE (U.K.): In paragraph 2 you want to delete the words standing there now and substitute "Members may impose or maintain import restrictions with the permission or approval of the ITO" - is not that the position?

THE CHAIRMAN: Is it not rather that they will merely stop at reserves?

"Members may impose or maintain import restrictions in so far as they are necessary to safeguard their balance of payments and monetary reserves", relying on the consultation and complaint machinery in paragraph 3 to provide a check on action which is taken for that purpose and to leave the Organisation in the event of such consultation and complaint free to determine the principles upon which they would judge whether the action being taken was in fact necessary for those purposes. Is that it?

MR GUNTER (USA): That is quite right, and it is perfectly possible to work in some wording relating to monetary reserves which eliminates the danger of restrictions purely for the purposes of building up reserves as long as any member considers its reserves unsafe. Do not think, though, that I am suggesting at all what the U.K. delegate thinks I am suggesting.

MR CLARKE (U.K.): I am sorry if I misunderstood your position.

THE CHAIRMAN: Would anybody else care to comment on this suggestion, that is, that the types of principles embodied in paragraph 2 should not be stated beyond the general purpose for which import restrictions could be imposed, leaving it to the Organisation, as a result of the proceedings, consultation and complaint, to determine whether the action was in fact necessary for those purposes?

MR LOKANATHAN (India): Mr Chairman, I think paragraph 2 is not really leaving the door open too much. On the other hand, it might be interpreted as really imposing certain restrictions before a country qualifies for quantitative controls. For instance, in specifics in 2(a), 2(b) and 2(c) the circumstances in which a country is entitled or would be entitled to use import restrictions, and therefore the criteria are not those which would give too much freedom. On the other hand, I think that the criteria that are specified here are those which limit rather than expand. That is the way in which I interpreted it. That is number one. The question of the tests - that there should be mere balance of payments difficulties or whether there should be the preventing of monetary positions falling below the level of safety - is I think a very important question, and I certainly think some discussion is possible on this.

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My own view is that it is better to have this liberal interpretation to provide for both sets of circumstances, to prevent the decline in monetary reserve and also to stop a serious decline, and, alongside that, to prevent the reserves from falling below the level of safety. Of course, what exactly is the level of safety will be a matter for consideration, but I think that should be open to consultation and argument with the International Monetary Fund. Therefore, it seems to me that there is not as much danger as the United States delegate thinks, because the whole object of this provision is to provide for cases where a country is likely to be adversely affected, not merely by current balance of payments problems, but by the lessening of reserves, which would preclude that country from getting as much imports as it wants in the future. That is a most important point, it seems to me.

There are, however, one or two questions I should like to put, because it seems to me that some matters require clarification. For instance, with regard to the last line of 2(a), "or to avoid the need for drawing unduly upon special credits to protect their reserves", what exactly is meant by "special credits"? I do not know whether borrowing from the Monetary Fund would be regarded as a special credit? I hope not. It may be all right, so far as special credits which a country has already secured are concerned. We may exclude them from the category, but what about credits which a country may require in the future? These are questions on which I should like some light to be thrown.

Another thing I would like to know is, how do you expand imports by imposing import restrictions? That is with regard to 2(b). To me it is not very clear, and I should like some clarification of that.

THE CHAIRMAN: It says "if necessary reducing restrictions".

THE RAPPORTEUR: 2(b) was meant to be a rule, as I understand it, not for imposing restrictions, but for taking them off.

MR. LOKANATHAN (India): That is all right, but if you first read Article 2 it says "Members may impose or maintain import restrictions", except that they undertake to observe the following principles in administering them, namely, administering those import restrictions.

THE RAPPORTEUR: It is a question of what intensity to maintain them at. You have to maintain them at a lesser intensity.

THE CHAIRMAN: "administering" is the wrong word. I think that is the essential point the Indian delegate advances. It is true it says "but they undertake to observe the following principles in administering them", but it is assumed that the import restrictions remain unchanged; you merely vary your administration of the same set of restrictions. What is contemplated in 2(b) is that the restrictions themselves will be varied.

THE RAPPORTEUR: "to observe the following principles in their use of them"?

THE CHAIRMAN: Yes, something like that.

MR. LOKANATHAN (India): Then there is another point. In the United States draft I think we had a transition period, and I find that in Article 20 as now proposed there is no provision for any transition period. Does it mean we are to have no transition period so far as this Article is concerned?

THE RAPPORTEUR: My attempt there was to deal with the transition period in Draft Article 22, the idea being that with a transitional period or not the general balance of payments criteria would be the same, but the really relevant thing in the transition period, which is particularly concerned with whether currencies are convertible or not, is whether you can discriminate, and therefore I have dealt with the transitional period rather on the lines of the previous U.K. draft, but I have put all the questions of

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discrimination together into a single Article 22, so we shall come to the transitional period when we come to Article 22.

MR. LOKANATHAN (India): According to you the transitional period is relevant only so far as discriminatory provisions are concerned?

THE RAPPORTEUR: Otherwise the same, yes.

MR. CLARKE (United Kingdom): I wonder if I could refer to the point made by the delegate of India on the last sentence of 2(a)? The point there is partly a question of drawing on the I.M.F. We do not think that a country should be required to draw to the limit of its quota before it can take any action at all in import restrictions. There is also, of course, from our United Kingdom point of view, the question of the United States and Canadian loans, which we wish to use steadily over a period and not immediately.

THE RAPPORTEUR: May I ask the delegate of the United Kingdom whether I am not right in believing that the word "unduly" has great force?

MR. CLARKE (United Kingdom): It is very important, yes.

THE RAPPORTEUR: It is not, as I understood it, that you have not got to draw on them at all, but you have not to use them all up in a fortnight.

MR. LOKANATHAN (India): There is another question in relation to that. Supposing a country which has inconvertible currency is making arrangements for liquidation of balances, and then annually a certain amount becomes due, I take it that undue drawings would also be covered under this provision?

MR. CLARKE (United Kingdom): If I might answer that, I think that in the particular case to which the Indian delegate refers it would turn upon the arrangements which were made between the two countries - in this particular case, the United Kingdom and India - as to the rate at which these balances could be drawn

down.

MR. LOKANATHAN (India): Yes, but the further question is, what would be the amount that could be drawn in a year? Supposing the normal balance of payments is not adequate unless you draw upon that, then we could qualify it?

MR. CLARKE (United Kingdom): Certainly.

THE CHAIRMAN: Has the United Kingdom anything further to add to this?

MR. CLARKE (United Kingdom): I would rather hear the views of some of the other delegates.

MR. BARADUC (France) (Interpretation): Mr. Chairman, I should like in the first place to associate myself with what you have said and with what the United States delegate has said. I should like to thank our Rapporteur for the work he has done during the night, since we parted at a late hour yesterday. I know it is easy to criticize, and probably it will take us more time to criticize this text than it has taken the Rapporteur to draw it up.

However, I think it is difficult for us to form a final

opinion, but we should like to submit a few remarks. As a whole we prefer Para. 2 as it is submitted in the draft of the Rapporteur to the proposal made by the United States delegate. I must say that I do not see quite clearly what this proposal is, and maybe it would facilitate our task if it was submitted in writing.

I do not think it can be summarised in simple form, as Mr.

Clarke has tried to do it a few moments ago. As far as Para. 2 is concerned I should like to ask - and I apologise because the French delegation is always talking about reconstruction plans - I should like to ask if it is possible to add to the first sentence in para. 2, after the words "monetary reserves", a phrase worded as follows "and to complete the reconstruction and development programmes which they have undertaken", or words to that effect? I shall perhaps have to make some other

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comments in the course of the discussion of Article 20.

THE RAPPORTEUR: I do not know whether as Rapporteur I could make one comment on the suggestion, Mr. Chairman?

THE CHAIRMAN: Yes.

THE RAPPORTEUR: I have as Rapporteur attempted in three places to meet the suggestion which the French delegate raises. First, the last phrase in the first sentence of all, "and as a step towards the restoration of equilibrium on a sound and lasting basis", the idea being there that if you have to restrict in order to carry out a plan which in the end is going to give you a more lasting solution of your balance of payments position, that is an admirable objective to have in mind; and then in 3(c)(ii) and in paragraph 4 I have tried to make every possible reference to it. I would appeal that it should not be put in here, because my experience as Rapporteur tells me that every time you put that in there are several other things that have to go in as well, and I cannot help feeling that para. 2, which is just laying down the same general criterion which covers everything, should not be made a criterion which has special reference to one particular problem. I think that otherwise there will be much more added to paragraph 2 and it will become unwieldy.

MR. BARADUC (France) (Interpretation): Mr. Chairman, I recognise that the Rapporteur has to a large degree taken into account the numerous suggestions made by the French delegation in that respect. I submitted this proposal hoping that the Committee would agree, but if serious difficulties seem to be involved maybe I shall not insist.

MR. PHILLIPS (Australia): I should like to support the retention of para. 2 of Article 20. I think it is important that members should have as clear an idea as possible, when they impose restrictions, whether they are likely to be regarded by the Organization as justifiable. I think it would also be helpful

to the Organization to have some general principles at least laid down to guide it in considering complaints that are put forward. I think I might possibly refer there to the proposals for an International Conference on Trade and Employment which were made by the United States. There it was envisaged that restrictions to safeguard the balance of payments should be operative under conditions and procedures to be agreed upon, and these conditions and procedures should set forth criteria and requirements in the light of which balance of payments restrictions might be imposed. I think that is what the Rapporteur has done and what the United States did themselves in the draft Charter. I think it would be a pity to drop them.

On the point raised by the Indian delegate about the transitional period, which was answered to some extent by the Rapporteur, I have just wondered whether it would be worth considering putting somewhere in para. 3(c), or somewhere in connection with that, a provision on the lines of that in Article 14, Sec. 5 of the Fund Agreement; that is, an indication to the Organization that it should be perhaps a little more flexible during the transition period than it is afterwards. You remember the section in the Fund Agreement, which says that in its relations with members the Fund shall recognise that the post-war transitional period will be one of change and adjustment, and in making decisions on requests which are presented by any member it shall give the member the benefit of any reasonable doubt. I am not putting that forward very strongly, but I think it is perhaps worth consideration.

There are a couple of points on para. 3, Mr. Chairman. Would you like me to deal with those now?

THE CHAIRMAN: I think so.

MR. PHILLIPS (Australia): Para. 3(a) of Article 20 seems to me to provide for prior consultation in all cases before restrictions are imposed. I would like to see that modified in the sense

perhaps of consultation, if practicable, before imposing such restrictions. I think there might be circumstances in which it would be very difficult at least to enter into consultation before applying the restrictions, and in some cases also there might be the possibility that while you were consulting, before the consultations had finished, there might be sudden need to impose restrictions. Possibly that should be provided for, too.

I just suggest some modification there.

MR. CLARKE (U.K.): May I say a word at this stage on para. 2?

I think we should make quite clear from the point of view of the United Kingdom delegation that our desire in this section is to make the imposition of Q.R. on balance of payments grounds rather difficult. We are a country which, as a result of the war, is faced with acute balance of payments difficulties over a period of time, but nevertheless the solution of our balance of payments problem depends upon an expansion of our exports, and, therefore, upon the very moderate use of Q.R. under these provisions by other countries. We therefore in principle prefer a basis of this kind, which we have set out here, which does follow the proposals of the United States draft Charter in principle, rather than some more liberal phrase.

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We feel that just to make a declaration of principle that members may impose import restrictions in so far as they are necessary to safeguard their balance of payments and monetary reserves does present a pretty impossible problem for countries who are in balance of payments difficulties and also for the I.T.O. itself. If countries had no guiding principle on which to work against which the I.T.O. could match their decisions and judge complaints accordingly, those countries would, all over the world, be adopting widely divergent policies in this connection and the I.T.O. would be snowed under with a series of complaints and cases to decide, in which it would be extremely difficult for it to get any guiding principles at all. Indeed, the I.T.O. itself would ultimately have to come back to the principles of something of this kind in order to guide its administrative decisions arising out of the application of quantitative restrictions by those various countries. We do not feel that the provision for consultation which is set up in paragraph 3 is at all adequate to deal with this situation. Whatever the result of such consultation may be, clearly the international organizations cannot be empowered to force members to adopt one sort of remedial measure rather than another, and that particular power was pretty explicitly taken away from the Fund in the Fund Agreement, and we do not see how it could possibly be given to I.T.O. The implication of saying that the consultative process is to some extent a substitute for the criteria is indeed to say that the decisions I.T.O. gives on whether a country is behaving rightly in imposing import restrictions depend on whether in the consultative processes it is adopting measures which the Fund and the I.T.O. think fit; and we should regard this as rather a dangerous principle to go in. We believe, therefore, that the only practical way of dealing with this thing, both to secure that countries which are in balance of payments difficulties can manage their affairs, to protect their financial position, and also to ensure that countries whose position is improving can rapidly increase their volume of imports accordingly, is to have criteria of this kind which lay down pretty

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reasonable directions which countries could undertake to follow, and which the I.T.O. could take into account in deciding whether the restrictions are being applied properly or not.

MR LOKANATHAN (India): On the question of the transitional period, I think that we have a real difficulty which has not been met by the answer of the U.K. delegate, if I may say so. The Australian delegate raised a very important point, which I also raised, but I think he made it clearer. As far as the transitional period is concerned there are two aspects to it: One is the greater freedom in respect of the use of quantitative restrictions and control, that is to say, whether discriminatory or non-discriminatory and so on. During the transitional period a certain amount of discriminatory use is permitted. That is one; but the other aspect is equally important, namely, the conditions under which the use of quantitative control will be permitted. In our judgment that should be most elastic, and there should be no considerations at all relating to that; that is to say, paragraphs 2 (a), (b) and (c) should not apply to the transitional period. I think that in regard to the transitional period I.T.O. is not doing anything at all, but the I.M.F. has already entirely recognized the principle, and I cannot see how this organization, where we are trying to go a little further than was done by the I.M.F., should not do the same; for instance, if France, or India, or any other country, wants to use import restrictions during the transitional period, I cannot see why we should be bound by paragraphs 2 (a), (b) and (c). My point is that that should be absolutely without any question. I think on that we are very firm. It is not merely India's point of view; I think it is the point of view represented by other countries, including Brazil, which brought out a memorandum on the subject. I think we feel that as far as the transitional period is concerned it is not a question of discriminatory use of quantitative control; it is a question of conditions under which quantitative control is to be applied, and I say that there should be no conditions at all imposed. That is most important for us. I therefore think that in so

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far as the draft does not provide for this it should be amended accordingly. Now I want to ask another question in regard to 2 (c); I quite understand what it is, but I should like to know what is the appropriateness of it or the necessity for it and what exactly is the special implication of paragraph 2 (c). Now here the question of transition is important and as a general rule I accept it, but during the transitional period I do not see why I should accept that; therefore I would also like to have the meaning of it to see it in relation to the transitional period.

MR CLARKE (UK): Mr Chairman, may I say something on that?

THE RAPPORTEUR: This is a point taken from the United Kingdom draft, Mr Chairman.

MR CLARKE (UK): First of all, on the transitional period, we agree that there are two quite distinct propositions in the transitional period: one is the use of discrimination and the other is the question of the use of these restrictions at all. We take the view that the discrimination one is the only relevant one in the transitional period, and we would like the sub-Committee, Sir, to consider what the implications would be of another decision upon that. So far as we can see, indeed, on the proposal of the Indian delegate as he put it just now, it would in fact mean that members would be able to impose quantitative restrictions as they pleased during the transitional period, whether for safeguarding their balance of payments or not.

MR LOKANATHAN (India): May I interpose to say that I think every delegate represented at this Conference takes the view that the limited exchange resources during the transitional period should be used for the purpose of getting such imports as we want. As I say, I think that has general approval.

MR CLARKE (UK): Yes, I agree with that; but the Indian delegate did not limit the exchange resources available to a country, because that implies that it is in balance of payments difficulties.

MR LOKANATHAN (India): No, quite apart from that, during the transitional period. We want the restrictions on imports with a view to using

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whatever other resources we have.

THE RAPORTEUR: Mr Chairman, may I say this, that as Rapporteur I have put in paragraph 4 into this Article, which came out of my head and not out of anybody else's draft. I thought it entirely covered the points which the Indian delegate has raised, because he is saying I think, if I understand him aright, that during the transitional period a country should be free to use its exchange resources to import that type of commodity which it wants to import and not to squander them on the type of commodity it does not want to import. If I understand that aright, that implies that there are not the exchange resources available to import, without restriction, both types of commodity.

MR LOKANATHAN (India): No, there is an inadequacy.

THE RAPORTEUR: Yes; and if under the draft I have put it forward that there is an inadequacy of exchange resources to import all types of goods, then restrictions should be imposed, because under the terms of paragraph 2 (a) they can certainly be imposed in order to prevent the serious decline in the monetary reserves, which would obviously mean that there would be a serious decline in monetary reserves if there were not enough imports of a certain article, and you did import that article, and under paragraph 4, which is the point which is specially put in to meet the point which the delegate of India has raised, that could be done selectively by choosing the type of commodity which was required; and I would add, Mr Chairman, that this I, as Rapporteur, have suggested not only for the transitional period, but so long as there is such a problem, namely, some internal policy which means that there are not foreign exchange resources for every type of import.

MR LOKANATHAN (India): Mr Chairman, I think the Rapporteur's statement on paragraph 4 is very helpful and that we appreciate fully the intention; but I want to explain my point in regard to the transitional period. What we say is that as far as that transitional period is concerned, the question as to whether there is a limited exchange or whether it qualifies under (a), (b), (c) and so on, should not be brought in. Every country to-day

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is suffering from transitional difficulties; that fact has got to be recognized; and therefore provision should be made, that by December, 1949, these restrictions would be allowed, just as in the words of the United States draft Charter, Article 20, paragraph 2: "Any Member which considers such action necessary to restore equilibrium in its balance of international payments shall be entitled to impose or maintain quantitative import restrictions under paragraph 1 of this Article until December 31st, 1949." That sort of general position should be allowed for. But I think the fundamental fact is that the countries which are now suffering from these difficulties should be helped in that way. Everybody knows they are suffering, and we think therefore that some recognition should be given, without those countries having to satisfy various tests. That is the main point.

MR. CLARKE (UK): I do not think that, as a practical question, there is really a lot in it between us and the Indian delegation on this question. If the exchange resources available to India or any other country are limited, surely, when one says that they are limited, it means that if they did spend more than that it would drive their reserves below the safety level; and therefore India would automatically qualify under this paragraph 2 (a). Then there is another side to it which I would like to emphasize in this connection, and that is, that we attach great importance to 2 (b), which is the obligation upon members to increase their imports and to reduce these restrictions as quickly as possible or as quickly as they can and as their financial position improves. Now, we regard that as very constructive during the transitional period, because if the countries which recover first increase their imports that helps along all countries which are more hard hit and so contributes to the final situation when the transitional period is at an end. The Indian delegate asked a question on paragraph 2 (c). Now the practical point there is that import restrictions can have an extremely damaging effect upon established trade between two or many countries, and the purpose here is to provide that countries shall take token quantities of imports, even

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ten per cent. on a base period or something of that sort, in order to keep established trade connections alive. That is the idea of the thing, and the same idea was in the United States draft Charter, and it seemed to us useful that, however difficult a country's position was, it should continue to take a trickle of established imports.

MR BARADUC (France) (interpretation): Mr Chairman, the French Delegation shares in some degree the concern of the Indian delegate; but it seems to us that what Mr Clarke has just said, and what was very clearly set forth in the British draft, which forms the basis of the Rapporteur's draft, is quite reasonable.

MR LOKANATHAN (India): As a matter of fact, just as a point of explanation, it is not so much in the Indian point of view as in the general point of view, which I feel arises out of the whole discussion we have had on the question of quantitative control of imports and so on, and it is not a thing in which India is very vitally concerned, or so vitally concerned, that she should fight for it; but I think that it is a very important point for most of the countries which are not yet represented at these conferences.

MR BARADUC (France) (Interpretation): I think that this text is very flexible; and, of course, it is the duty of each country to try to achieve equilibrium as soon as possible. It seems to me that this intention is very clearly set forth in the Rapporteur's draft, and nobody would question the principle that all of us should do everything to restore equilibrium and to achieve fully the objectives of the Charter.

THE CHAIRMAN: Is there any further discussion on paragraph 2?

MR GUNTER (USA): Mr Chairman, I wish to refer back for a moment to the general question of whether there should be an article 2 as it is now drafted. I cannot agree with Mr Clarke, that these principles are quite as stringent as he suggests. Moreover, I do not understand his remarks as to the dangers of the international organization developing over a period of time criteria which would conflict with domestic policies. I would refer him to paragraph 3 (e), which I think is quite clear on the point, and  
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I do not understand his concern with that. The French delegate suggested it might be helpful if we presented some wording; and I should like to try to do that tomorrow, if that is agreeable.

MR CLARKE (UK): I would like to say, as a matter of explanation, that I was not referring to the interference of the I.T.O. with domestic policies. I was saying that alternative remedies within the field of international action, such as a choice between import restrictions and exchange depreciation, and the dangers, as I see it, of elevating the consultative process to a very high level----

MR GUNTER (USA): I think this question really relates almost entirely to the complaint procedure and not to consultation.

MR CLARKE (UK): Yes, complaint procedure, but where decisions are taken by the I.T.O., whether a country is behaving unfairly or not.

MR GUNTER (USA): Yes, that is right; and that is where you would develop your case law.

THE RAPPORTEUR: May I make one suggestion. As regards my draft, which I did very hurriedly in the late hours of last night, I omitted one thing in paragraph 3 (d) which I meant to put in, and I think it would help to clear this issue, because, as I understand it, there would be no obligation on the part of the United States delegate to what I intended to do. I am referring to the tenth line from the end of 3 (d) which begins, "The provisions of this Article or Articles 21 and 22." What I had intended to write in there was, "The provisions of paragraph 2 of this Article or of Articles 21 or 22": in other words, the complaint is whether you need import restrictions for balance of payments reasons, and this does not depend upon whether there are criteria in paragraph 2 or not. You cannot do it, because you have chosen a means of admitting the need by import restrictions rather than, say, by exchange depreciation, or some alternative means. Would the sub-Committee agree that I should insert some such words in paragraph 2 of this Article to show what this issue is?

MR GUNTER (USA): I would like to reserve that until we see what paragraph 2 is.

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THE RAPPORTEUR: May I appeal to the Delegate from the United States? We know that paragraph 2 deals with the permission to impose import restrictions because your balance of payments is wrong, and whether it is left to the Fund to say whether your balance of payments is wrong; or whether there are criteria, largely it is a question of whether your balance of payments position needs help; and the question is whether the complaints procedure should apply only to the question of whether you really needed to do something to safeguard your balance of payments, or whether it should apply differently.

MR GUNTER: I agree with the principle of what you are saying entirely, but I am not sure that that is the way to accomplish it.

THE RAPPORTEUR: In principle, if paragraph 2 gave you the right answer about whether your balance of payments is wrong or not, then the delegate for U.S. would agree to paragraph 2 going in here? I just want to get that point clear, because I think it is an essential point.

THE CHAIRMAN: The real issue here, however, is the question of whether the freedom of the Organisation to make a judgment is limited by principles stated in the charter or whether it is free to judge that the import restrictions were or were not necessary completely on principles which it will presumably evolve itself.

MR GUNTER (USA): Relating altogether to balance of payments?

THE CHAIRMAN: Yes. That seems to me to be quite a critical issue, since it means that it very greatly reduces the certainty which a country can have when it makes a decision itself to impose quantitative restrictions to safeguard its balance of payments, if you have provisions such as you have in 2 ----

MR GUNTER (USA): I do not agree that it makes a lot of difference, because if you do have consultation then it will be quite clear whether the International Organisation thinks you are in balance of payments difficulties. So you cannot agree that the question of certainty or uncertainty comes into it a great deal.

MR PHILLIPS (Australia): There is one further point I wanted to make, but I would also like to say that we would resist very strongly any suggestion that the Organisation should have no guiding principles of any kind written into the Charter. As you know, we have pressed throughout for the criteria to be more specific, not less, and that leads up to the further point I wanted to make. We have suggested in the general discussions that there should be objective criteria on balance of payments grounds. Other delegates have opposed that principle partly on the ground that they would be too restrictive; that if a country had objective criteria laid down for it then it would be unable to get the approval of the Organisation for restrictions unless it could satisfy the criteria. A possible way of overcoming that

difference has occurred to me, and that is that objective criteria should be laid down for those countries which want them but not for all countries necessarily; and the way I would suggest for consideration to get that point would be to add a new clause to paragraph 3(c) - that is the paragraph which lays down the circumstances in which the Organisation cannot uphold a complaint. I suggest that a third provision be added there, that the Organisation may recommend the withdrawal or modification of restrictions - something along these lines - which are imposed by a member whose monetary reserves have fallen below the agreed level or are estimated to fall below that level within the year; and then lay down that the agreed level means a level approved in consultation between an individual member and the Organisation, with the addition of the Monetary Fund probably in the consultations; so that any member who wished to have those objective criteria could enter into consultation with the Organisation, and if it was able to negotiate what it regarded as a satisfactory bargain it would have the objective criteria. Other members who did not wish to depend on objective criteria and preferred to rely on the complaint procedure which is incorporated in this draft need not go into consultation and need not fix objective criteria.

THE CHAIRMAN: Is there any further discussion of paragraph 2 of this Article?

MR BARADUC (France)(Interpretation): Could we have in writing the proposal which was just made by the Australian delegate for adding a sub-paragraph?

MR PHILLIPS (Australia): I think it might perhaps be typed out from the rather carelessly drafted proposal I have here.

THE CHAIRMAN: If there is no further discussion on 2 I presume we must leave it until we see the alternative which the U.S. delegate has offered to provide us with. Is there any discussion of paragraph 3? The Australian delegate I think suggested the modification of 3(a) would qualify the requirements of prior consultation by the inclusion of the words "so far as practicable".

MR PHILLIPS (Australia): Something like that; and provision to make clear that if conditions became acute restrictions could be imposed even while the consultations were proceeding.

THE RAPporteur: If one had the first point one would not need the second.

It is not meant to beg the question one way or the other but it is purely as a drafting point.

MR CLARKE (UK): We have two or three points on this Article. We find some difficulty with it for practical rather than for philosophical reasons. The first practical difficulty is, of course, that as soon as you start consulting before you are going to do a thing of this kind you raise all these questions of which we have heard quite a lot in other committees about forestalling movements of imports to the country which has applied for consultation. That seems to us to be a serious practical difficulty. It might to some extent be met by some explicit provision that these consultations should be of a confidential nature, but it is rather a difficult one. The second point that we have is on the question of time generally; the question, that is to say, whether one would in fact, when confronted with a difficult balance of payments situation as it was developing after making up one's mind what restrictions one wanted, then have time to consult. The loss of export income can move very fast indeed in primary producing and in other countries, and even a month or two months delay in taking stop action to safeguard one's reserves may make one's position much worse than it need be. What we should suggest to meet that is, I think, something a little stronger than the provision for sort of emergency action, and that is to delete the word "consult" in the sixth line and substitute "initiate" consultation; that is to say, before the member puts on the import restrictions it must start the process of consulting. The third point we have on this is that the purpose of this paragraph as we see it is to make sure that before a member puts on import restrictions it should also adequately consider with the international organisations concerned other possible remedial measures such as exchange depreciation, exchange restrictions, special grants from the Fund, special loans from the Bank, and all this kind of thing. We feel that the need for such consultation is a real one but we feel that this does not necessarily apply to any restrictions, and if a country is imposing very mild restrictions - the sort of thing which would reduce its imports by 5 per cent or something - the alternative remedial measures do not really enter into it; so we should propose that in the fifth line again to say "to give

active consideration to the need for substantial restrictions". This would really correspond to the provisions under the IMF Agreement which permit a country on its own, but, without any consideration at all, to do a 10 per cent exchange depreciation, and we feel this is rather a complicated machinery to set in motion where only a small quantity of restrictions is at stake; and, of course, when the members put on such restrictions you still have all the consultative process continuing under Article 3(c). We should really in this fix it to try to prevent a member from putting on stringent import restrictions without examining the other possibilities but to enable a member to put on quite soft restrictions and then rely upon the consultative process in 3(c).

MR GUNTER (USA): Mr Chairman, I think there is some merit in the idea that there may arise emergency situations where the consultation procedure might be too slow. I would suggest, however, that that is unusual rather than the usual situation; and also I would suggest that while a country is formulating what steps it is going to take to meet a possible balance of payments problem it can at the same time be carrying on and should be carrying on the consultations with the international organisations. I am inclined to think that the U.K. delegate over-emphasises the dangers in that situation. I would suggest also that where a country is imposing mild restrictions the consultation process is not likely to be a very long one, and again there is not likely to be a problem; and I do not think we would have much objection to inserting the word "substantial", but I would like to suggest that the consultation process would not probably be long in that case. I was wondering also, though, if we should not include in this paragraph consultation where a member is considering a substantial intensification of existing restrictions which are really very nearly the same as imposing new restrictions. In other words, you may very well be in the situation where a number of countries are maintaining just a few restrictions and under this they could intensify greatly without the prior consultation, and I think it might be desirable in most situations, since they are so similar to the imposition of new restrictions, to have the consultation operate there also.

MR PHILLIPS (Australia): I think if we are going to tighten up this consultation

procedure too much it might be better to return to the draft charter, which only requires the consultation within thirty days after the imposition of new restrictions. I think there are a lot of difficulties in prior consultation of the kind that Mr Clarke suggested and if it is going to cause difficulties I think it might be better to wipe that out altogether.

MR CUNTER (USA): I think both Mr Clarke and I suggested that there were not any great problems that exist and that there were many advantages to the prior consultation, so that, if the full possibilities of the position are explored before restrictions are imposed, once a country has taken a certain step it might be politically difficult to retrace steps if they are convinced by the International organisation that they should do something else.

THE CHAIRMAN: Would you feel a strong objection to the "initiate consultation" suggestion of Mr Clarke? That would presumably ensure that consultation would take place before hand except in cases where there were real difficulties associated with that process, but even in those cases it would be necessary to initiate consultation.

MR LUTHRINGER (IMF): I would like to make a few comments on this proposal, Mr Chairman, since it represents, I think, so largely an attempt by the Rapporteur to take into account some of the views which the Fund has suggested on this matter. To begin with, it does not seem to me very clear that there has been proper appreciation of the time sequence contemplated here; that is, I think it is clearly the intent of this provision that consultations be at a very early stage. That is reflected by the language which indicates that they would be at such an early stage that the member would not be expected to disclose which particular measure it was contemplating using. Secondly, I think that this 3(a) as it stands, unless it is amended as the U.S. has suggested to include substantial intensification or increases in existing measures, is a measure which would apply so far as most members are concerned in the main in the post-transition period. As it is now drafted it refers to countries not imposing restrictions under this Article, which would certainly look forward to a situation in which some few countries may not find it necessary to impose these restrictions during the transition period. As the transition period ends for many of them, of course, they may find these restrictions unnecessary, and you would then be dealing with a situation in which a country was seeking to re-impose restrictions having once relaxed them or removed them.

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So that again I do not see the appropriateness of regarding this largely from the way it would operate when most countries are going to be under the transition period. I think that it is certainly true that most of the balance of payments conditions which would be involved in this type of situation are ones that develop rather slowly over a period of time, rather than burst all of a sudden on to the scene, so I do feel that in a great many instances there would be a reasonable possibility for consultations at a very early date. I think also it should be kept in mind that although the analogy of these restrictions to a change in exchange rate under the Fund has been made, it seems to me that the far more appropriate analogy in this instance is the imposition of restrictions on current payments. There is nothing in the Articles of Agreement which says that a country, once having assumed the obligations of Article 8, can impose small or minimal or temporary exchange measures while it is getting specific approval from the Fund for those restrictions. I think the clear and implicit assumption in the case of the Fund is that the Fund will be likely to do what is needed in a situation of this kind. Even so far as exchange rate changes are concerned (which I regard as perhaps a more difficult question to deal with than the question of whether a country needed certain types of exchange restrictions) it is clearly necessary for the Fund to express its opinion in two days. So that another assumption which I would question is that these consultations would range over 30 days or 60 days, or anything of that sort. It seems to me that they could properly take place in a much shorter time than that. Now of course it may be, as regards the specific question which has been raised, that it is possible to have a situation in which a country has to move very rapidly indeed to protect its reserve position, through some sudden increase of imports. I think it is perhaps

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possible to provide for a drafting change which would provide for action in a serious emergency, without making changes in here which I think would very basically change the nature of the provision contemplated here from one which it is presumed would be well in advance to one in which you would get the consultation just about the time that the member has already made up its mind and wants to impose restrictions at once.

THE CHAIRMAN: Is there anything further to add to this? You do not think the suggestion Mr. Clarke made would be acceptable to you? Mr. Clarke suggested we might substitute "initiate consultation" for "consult".

MR. GUNTER (United States): No. I would much prefer the type of alteration suggested by the Fund, which I had advocated earlier. I thought of making some provision for some drafting change to take care of emergencies.

THE CHAIRMAN: There was also the suggestion made by the Rapporteur, that this might be extended to cover substantial increases in restrictions, since they would be of the nature of new restrictions.

MR. CLARKE (U.K.): I would like to make a point on that, Mr. Chairman. I think there is some substance in the argument on that, but I am afraid from a practical administrative point of view, as far as the United Kingdom is concerned, it is a thing you cannot do. If you are operating an import programme you have to be able to make variations from day to day, and one can never get a sufficiently stable position to permit consultations on the basis of that position. I am afraid that is administratively impossible from our point of view. I think the essential point is really covered in (c) - consultation whenever the I.T.O. or anybody else requests it.

MR. GUNTER (United States): But the type of variation you are talking about I believe is just small variations. I suggested substantial

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intensification.

MR. CLARKE (United Kingdom): This does turn a bit on words, you know and I can see quite a clear distinction between a nation imposing restrictions from an administrative point of view and a nation that is already working a system of restrictions and tightening those up. That is a much more flexible process, and in the nature of the criteria from (a) to (c) a nation is working on a knife-edge of difficulty in its balance of payments and reserve position, and you have to take this action.

THE RAPporteur: It seems to me the Rapporteur had better have alternative drafts for 3(a) as well as for 2, Mr. Chairman.

THE CHAIRMAN: Yes.

MR. CLARKE (United Kingdom): I would like to ask one other question. That is, to ask the Rapporteur to consult the observer of the Fund as to whether this is right as between the Fund and the I.T.O. It seems to me some question arises, when you say "consult with the Organization as to the nature of its balance of payments difficulties."

MR. LUTHRINGER (I.M.F.): I am sorry; I do not think I understood your point.

MR. CLARKE (United Kingdom): Well, a great many of these corrective and remedial measures are matters purely of the Fund, and one wants to get this drafted in a way which does not compel a member country to expose all the intimacies of its financial position except to the Fund.

MR. LUTHRINGER (I.M.F.): Yes, I appreciate that point, that the two organizations will be different kinds of organizations and may not have to deal with the same types of security or secrecy situation; but I do not know that this language would preclude, as part of the general consultations, particular confidential conversations that might be one phase of it, which would take place solely between the Fund and the member. I mean, we had that in mind. I

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I thought this language that the Rapporteur has used would cover it. If not, maybe it could be spelled out more clearly. That of course is one of the reasons for putting in there about not disclosing in advance. The emphasis on the consultation here I would urge is not an attempt to dictate to the member which course it pursues, but is simply to assure that all these aspects of the matter have been considered by a government before making a firm decision in the matter. Again, I would point out the substantiation of what I say - and I think everyone here clearly understands it: that the Fund cannot order anybody to change its exchange rate. Changes in exchange rate are made on the proposal of a member. Of course, the Fund has broad consultative powers to discuss it with a member, but I do not see why that particular point could not be handled in that way.

THE CHAIRMAN: Thank you. Are there any other matters arising out of para. 3?

THE RAPPORTEUR: May I suggest that on 3(a) I should do two drafts, one of which would say that any member which imposes substantial new restrictions or substantially intensifies the old restrictions, shall, before doing so, consult with the Organization, etc., and the other of which would say that any member which is not imposing restrictions, but is considering imposing substantial new restrictions, shall -- well, the exact words have got to be thought out; "shall as far as practicable before imposing restrictions", or "shall before imposing restrictions initiate consultation". It is the two points - whether it is new and old, and whether it is "as far as practicable" or not.

THE CHAIRMAN: Except on your first alternative, to meet the United States position would you provide that if they are new restrictions then consultation is required, irrespective of whether the restriction is a small one or not.

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MR. GUNTER (United States): Do you agree with my point on that, that consultations in such a case will not be a burden?

MR. CLARKE (United Kingdom): No, we are looking ahead in this. We do not know what the situation is going to be, but at the same time you might just as well have as much trouble with consultation over a little one as over a big one.

THE CHAIRMAN: Yes. Can we pass on to 3(b)? Any comment on 3(b)?

MR. GUNTER (United States): On 3(b) there is one point I wanted to raise, which I think the Rapporteur has at least partially taken into account. When the Organization sanctions the imposition of restrictions a member is later precluded from making a complaint within the framework of the permission that the I.T.O. has given. It had occurred to me that there was a problem of time entered into it there; that the I.T.O., in approving the imposition of restrictions, obviously cannot approve the imposition of the restrictions for an indefinite period, and it is a matter that would have to come up for review, and I was just wondering if it would not be desirable to insert some time limit for approval and also give the I.T.O. the right to review.

THE RAPPORTEUR: The intention of my draft - which is not so good on this point, I know - is that the Organization would be free, (in agreement with the member, of course, because this is really an agreement between the member and the Organization) to lay down whatever conditions it thought fit, some of which would probably relate to duration and some of which would relate to extent of restriction. That is my intention. If I could draft it to meet that I wonder if that would meet the point of the United States delegate?

MR. GUNTER (United States): Yes.

THE CHAIRMAN: Anything else on (b)?

MR. LOKANATHAN (India): I think between the Organization and the particular member some agreement may be reached, but what we

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are concerned with is to know how the other members are affected by it, and if other members are affected, the mere fact that the Organization, without consulting those members affected, had approved it earlier, should not be a bar to consideration of the matter again.

THE RAPPORTEUR: Could that point be met by putting into (b) that the Organization should consult the members most affected?

MR. LOKANATHAN (India): "Most likely to be affected".

MR. CLARKE (United Kingdom): I think it would be rather difficult. Supposing the United Kingdom went to the Organization and said it wanted to put on import restrictions, cutting its imports by 10 per cent., it would be very difficult to find out which the members were who were most likely to be affected by such a proposition.

MR. LOKANATHAN (India): But let us look at it in the other way. Supposing country A has gone to the Organization and got this, and then the United Kingdom finds it is very badly hit, merely because the Organization has approved it should not be precluded from consideration.

THE RAPPORTEUR: I think I was asleep a little while ago, Mr. Chairman. The sensible way of carrying out the draft would be as follows: under 3(b) the Organization would really only be laying down, on balance of payments grounds, in consultation with the Fund, what was the sort of extent and duration of the total over-all restriction, upon which the member could not be challenged. That is to say, one might take the form that if your total imports were reduced by 5 per cent. below their previous level for each of the next two years, you cannot be challenged, but that would not say anything about the particular goods which you would restrict. That, under my 4, would be free to your choice, to the choice of the country doing it, but under 2(b) you could still be challenged by another country on the

grounds that you were unnecessarily damaging its commercial interests. (e)(i) would say you could not be challenged on what the Organization had sanctioned under (b), but if the Organization was sensible it would not sanction the thing in terms of motorcars and potatoes and hairbrushes, and so on; it would sanction it in terms of a given degree of restriction for a given period of time. Therefore, e(i) only says "in so far as the Organization has previously approved it". The Organization would not have approved the cutting down of motorcars; it would have approved a certain restriction of total imports, and a country which was hurt under 3(b) could therefore say "You are unnecessarily damaging my interests by choosing combs rather than toothbrushes".

MR. GUNTER (United States): I believe if the paragraph was drafted more on the lines of the first part of your explanation it would cover the points that we have raised.

THE RAPPORTEUR: Yes.

THE CHAIRMAN: Anything else on this Article?

MR. LUTHRINGER (I.M.F.): I think there is a comparatively minor point, but as it occurs in several places I might raise it at this point, and that is, to consider substituting "invite to participate". That is, the Organization shall invite the Fund to participate in consultations, rather than bring it into consultation. I think, particularly at this stage of the draft Charter, that would be advisable. I think if the Charter comes out with consultative provisions of this type they would probably be implemented by some agreement between the two organizations.

THE RAPPORTEUR: Yes.

THE CHAIRMAN: Anything else on (b)? Then can we pass to (c)?

MR. CLARKE (United Kingdom): I have one minor drafting point on (c), Mr. Chairman, in the fourth line from the bottom: "shall

consult the International Monetary Fund and any other appropriate international specialised agencies and shall pay due regard to the alternative methods". We should prefer to say "in particular in regard to".

The point there is

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The point there is that the words that "the Organisation shall pay due regard to" carry with them some implication that the Organisation shall take account of the result of these consultations in making decisions under 2(d). I do not think it is a point that the Rapporteur would have difficulty in including.

THE CHAIRMAN: The substitute wording is what?

MR CLARKE (UK): "and any other appropriate specialised agencies, in particular in regard to", and so on.

THE CHAIRMAN: "in particular in regard to" in place of "and shall pay due regard to", which you delete.

MR GUNTER (USA): That is quite satisfactory.

THE RAPPORTEUR: That is what I meant, Mr Chairman.

THE CHAIRMAN: Any other point on sub-paragraph (c)?

MR GUNTER (USA): I have one suggestion, and that is that in this paragraph we provide that the Organisation will undertake within some period of ~~xx~~ time, say a year or two years, to review existing restrictions at the time the Organisation comes into effect.

THE CHAIRMAN: Have you any comment on that, Mr Rapporteur?

THE RAPPORTEUR: I have no comment.

MR CLARKE (UK): We do not object in principle.

MR PHILLIPS (Australia): I have no objection, but I was merely wondering why they should lay it down that the Organisation should review existing restrictions, because it might not be convenient for the Organisation to review every case within a year or two years. I think in principle, however, that it is probably desirable.

THE CHAIRMAN: What do you feel about that?

MR GUNTER (USA): I do not see that that is at all unusual in a Charter of this sort, to say that an international Organisation shall do something. For example, you have the same thing in the IMF Articles and Agreement. It does not actually command the Organisation to take any action on it; it just tells them to review it, and then quite possibly in the process of organising over a period of time they will not be able to do a whole

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lot of that, but it is really a suggestion to get the work started earlier.

THE CHAIRMAN: Is there anything else on sub-paragraph (c)? Anything on sub-paragraph (d)? Sub-paragraph (c)? Sub-paragraph (e) is the suggested third sub-paragraph which was suggested by the Australian Delegate and has been typed now and circulated.

MR PHILLIPS (Australia): The wording is a bit rough, if I may say so.

THE CHAIRMAN: Yes. Has the Observer for the International Monetary Fund anything to say?

MR LUTHRINGER (IMEF): I am sorry, I did not get the question, Mr Chairman.

THE CHAIRMAN: Would you like to comment on the suggested addition? Did you see the addition?

MR CLARKE (UK): Would the Australian Delegation interpret it as meaning that they would only apply for quantitative restrictions if this criterion was adopted, or would they regard this as a minimum, as it were?

MR PHILLIPS (Australia): A minimum only.

THE CHAIRMAN: This is only one of the conditions in which the Organisation could recommend withdrawal or modification of the restrictions. Those conditions in regard to the application of restrictions would be as set out in the previous clause, but this would be one condition in which the Organisation could not rule against any country applying it.

MR CLARKE (UK): We see no objection to this.

MR GUNTER (USA): My first reaction is this, Mr Chairman - we have no objection to it in principle - that I would like to think about it.

THE RAPORTEUR: I take it the Rapporteur in his midnight work tonight will be able to put in a clause.

THE CHAIRMAN: In square brackets!

MR LOKINATHAN (India): I should like to ask the Australian Delegate whether this is a sort of emergency, or whether he thinks it does not

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cover all the existing provisions of the draft. That is to say, what is the special reason for any deficiency in monetary reserves, and why do you want a special provision for that, because there is, I believe, ample provision in the draft if a member country could show that emergency conditions require immediate action, and you can go to that, so that this seems to be a case in between the provisions in this draft that we are considering, and the emergency provisions there. Therefore I want to know what the special significance is of this one year limit which is to be found in this draft.

MR PHILLIPS (Australia): If I have understood the Indian Delegate correctly, Mr Chairman, that is an example of the bad drafting of this clause, but I interpreted that to mean that it should not fall below that level from now to within a year of the imposition of the restrictions; that is to say, it depends upon the forecast of how your reserves are going to move over the next year. If your forecast is that your reserves at the end of the year will be below this agreed level, then you are entitled to impose restrictions.

MR LOKANATHAN (India): Do not you think you have some remedy under the existing provisions?

MR PHILLIPS (Australia): Yes, we have some.

MR LOKANATHAN (India): Remedial measures provided in this draft are inadequate.

THE CHAIRMAN: It is not a question of remedial measures being inadequate; the remedial measures set out provide for the member Government to take certain action, but they also provide for complaint on the part of other countries. Now, the purpose of this clause is to indicate that a complaint cannot be made and sustained against a country if its monetary reserves have fallen below the level agreed previously between that country and the ITO, to be, so to speak, a danger point, or if the estimates of the probable fall within the next year indicate that it will fall below that level. It is a further reservation of the freedom of the Organisation to rule against a country which has taken this action.

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THE RAPORTEUR: There is one point I should like to raise as Rapporteur to make sure I have got the sense right. I think that my draft requires a little redrafting in any case, and ~~xxx~~ this will intensify it. I presume it is not the intention of the Australian Delegate that this would exempt a country from a review of the way in which the restrictions were being carried out in so far as unnecessary damage to other people was concerned, but only as to the general extent of whether they can take place?

MR PHILLIPS (Australia): Yes.

THE RA PORTEUR: If I redraft paragraph 3(b) on the lines suggested by the Indian Delegate and met the point which he raised earlier, it could be worked in here too, because clearly if 3(b) refers only to the general extent and duration, one can re-word <sup>sub-</sup> paragraph (c) so as to limit it to that.

THE CHAIRMAN: Is there anything else on sub-paragraph (c)?

MR CLARKE (UK): The second sentence of (ii), Mr Chairman, seems to us possibly a little misleading. I do not know whether the Rapporteur would like to say something about that.

THE CHAIRMAN: In what respect it is misleading?

MR CLARKE (UK): Well, it is difficult to see precisely what members are agreeing to.

THE RAPORTEUR: The wording of the remarks made by the delegate from the United Kingdom may suggest the fact that we exchanged a word on this sentence before lunch, and if it did make that suggestion it would be a revelation of the truth! May I positively take up the point? I think this is badly drafted, because let me put it in terms of my own country, of employment policy, and not in terms of reconstruction and development policy. This either means something or it means nothing.

THE CHAIRMAN: I think there will be general agreement with that remark.

THE RAPORTEUR: If you are able to carry out this domestic employment policy as far as possible in such a way as to restore equilibrium to your balance of payments, you might be able to give up the employment policy, because this is a very good way probably of deflating and not importing

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so much. What I want to say there is this: "Members agree, however, in carrying out such domestic policy to pay due regard to the need to restore lasting equilibrium" - that is about the right emphasis. They are carrying out these policies, and they should do that, having due regard all the time to the need, and so on, and I think that that would cover all the cases. It is a small point, but I think the thing is rather meaningless at present.

THE CHAIRMAN: Is there anything else on that subparagraph? If not, we pass to paragraph 4. Is there anything on paragraph 4. We pass to paragraph 5. We pass to paragraph 6.

MR LUTHRINGER (IMF): Mr Chairman, I have a comment on paragraph 5.

It seems to me that it is put in a way that might have some objection from the point of view of the Fund, that is, that the I.T.O. shall inform the Fund of the existence of this disequilibrium, which I suspect, in view of the closeness with which the Fund will be following the balance of payments situation of Members, would mean that the Fund may very well be the first to be informed about it. Therefore, I would like to suggest that that be re-written to read somewhat as follows: "If there is persistent and widespread application of quantitative import restrictions under this Article, indicating the existence of an apparent disequilibrium which is restricting international trade, the Organization shall seek consultation with the Fund": and then go on with the rest of the Article.

THE CHAIRMAN: An additional change which might improve it further would be to add, after the words, "If there is persistent and widespread application of quantitative import restrictions under this Article," the words, "which is restricting international trade," though I do not think it makes a great deal of difference.

MR CLARKE (UK): The proposed amendment by the Fund observer would leave out, "at the request of three or more members"?

MR LUTHRINGER (IMF): Yes, quite.

THE RAPporteur: I did not quite catch the end of the suggestion. I

have got as far as, "If there is persistent and widespread application of quantitative import restrictions under this Article, indicating the existence of an apparent disequilibrium which is restricting international trade"-----

MR LUTHRINGER (IMF): "the Organization shall seek consultation with the Fund."

MR BARADUC (France): Without any request?

MR LUTHRINGER (IMF): Yes, I think this clearly poses a general widespread use of the restrictions apparently to the point where there is serious restriction of international trade, but I do not quite see the pertinence of having action here on the initiative of three members rather than by the Organization itself.

MR CLARKE (UK): We would agree with that.

THE CHAIRMAN: Is that agreed? (Agreed). Is there anything further on paragraph 6? If not we turn to draft Article 22.

MR CLARKE (UK): I should like, on draft Article 20, to say that if paragraph 2 were radically changed we would naturally have to reserve our position on the whole Article.

THE CHAIRMAN: Yes, quite so. We leave that Article, then, the position being that the Rapporteur is to prepare an alternative draft for paragraph 2 and for paragraphs 3 (a).

THE RAPPORTEUR: May I put it slightly differently, Mr Chairman? The Rapporteur will await an alternative draft of paragraph 2 expressing the views of the United States delegation, and will prepare an alternative draft of 3 (a).

THE CHAIRMAN: There were two drafts to be prepared of 3 (a).

THE RAPPORTEUR: Yes, I meant two drafts of 3 (a). The Rapporteur is not preparing an alternative draft of 2; the Rapporteur is awaiting a United States draft of paragraph 2, and will prepare two versions of 3 (a).

THE CHAIRMAN: Yes.

MR BARADUC (France) (Interpretation): Will the results of the Rapporteur and of the United States delegation again be submitted to this sub-Committee?

THE CHAIRMAN: Yes. We come now to draft Article 22. Would you care to comment

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upon that, Mr Rapporteur?

THE RAPPORTEUR: Mr Chairman, I think it is fairly simple as far as the work of the Rapporteur is concerned. This goes into the form of Article 22 of the U.S. draft Charter. The two points about the Fund are put into paragraph 1, the second point about the Fund, however, having the wording which was in the U.K. paper, and on which the U.S. delegate, I think, expressed approval at our last meeting. Paragraphs 2 (a), (b) and (c) are points which are taken primarily in the drafting from the U.K. draft, but I am not sure of the exact comparison with the U.S.A. draft charter, so I am afraid that sub-paragraph (d) is the sub-paragraph on which we stuck, which is the Australian draft, and which I have put in square brackets, the idea being, I believe, that it will be examined among all the escape clauses in due course. There is only one small point that I came up against in drafting which presented just a little difficulty, and that was in the United Kingdom draft, paragraph 2 (b). Where I have put in the word "Member" they had the word "country"; and I was not quite certain whether the United Kingdom meant countries which were Members or all countries, but if it was countries rather than members there would be a slight difficulty in drafting, because on the suggestion of the French delegate, I adopted the proposal that the period should end with the transitional period of the country in question under the next subparagraph (c), but as only Members would be under subparagraph (c) this would apply only to Members, unless one had another date for non-Members. This is a small drafting point to which I draw the attention of the sub-Committee.

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MR CLARKE (UK): Perhaps I should say at once that the U.K. intention was "members".

THE RAPPORTEUR: Then I think the square bracket should be removed.

MR BRONZ (USA): Mr Chairman, with respect to 2(a), we have a point in the nature of tightening up the provision. We recognise that some loosening of the provision from the language of the suggested charter is required, particularly in view of the considerations raised by the Czechoslovakian delegate, but to give unlimited and permanent authority to use balances of inconvertible currencies whenever they might have been accumulated might open the way, for example, for future difficulties, and I might therefore suggest language along these lines which would not involve too much of a change. This is in sub-paragraph (a) under 2: "...balances of inconvertible currencies for buying imports provided that (1) such balances were accumulated up to December 31, 1948, or (2) such balances resulted from payments after December 31, 1948, for current transactions"; and the concluding sentence I do not believe is any change from the existing one. As I have it, it is, "arrangements which a member may make for the conduct of trade which may result in the accumulation of inconvertible currencies shall be subject to discontinuance or modification in the event of the Organisation finding that they are contrary to the purposes of the Organisation." I believe that is the same language as the Rapporteur has in there now, but the principal point would be that inconvertible currencies accumulated after the end of 1948 might only be available if they were accumulated for current transactions but not if they involved some sort of capital movement.

THE CHAIRMAN: Is there any comment on that?

MR LOKANATHAN (India): I want to bring up one point for clarification. It is put in this way, "restrictions to enable members to use balances of inconvertible currencies for buying imports". So far as the accumulated balances of India are concerned, we foresee two possibilities. One is that a certain portion will become convertible from time to time; and as regards the certain portion which is not quite convertible, the point is whether the privilege and the right here given under 3(a) will begin to operate in such circumstances. What I mean is that supposing we enter into an arrangement

with a country with whom we have inconvertible balances and we have a period of funding and each year a certain amount is being released, as far as other portions are concerned which are not released and which are not convertible I believe we should have the right to use the right given under 2(d). I want to know whether the draft as it is now would cover that case.

THE RAPPOREUR: As drafted I think they would be. You submit 2(a) would apply if the currency was available for certain uses but was not convertible? It would not apply if the currency was not available for any use or if available for use was available for all uses; then it would be convertible.

THE CHAIRMAN: Is there anything else on that?

MR LUTHRINGER (IMF): I would like to suggest for the consideration of the Committee as to whether it might not be appropriate to insert after "seeking consultation with the IMF" in this paragraph "in the event of the Organisation, after seeking consultation with the Monetary Fund, finding that they are contrary to the purposes of the Organisation": I do not suggest that that is the correct language, and I do not suggest/any idea of specific approval by the Fund of these particular restrictions, but I would merely point out that I think a good many of these things are going to have their counterpart in the exchange control field, and I have no doubt that the Fund will be confronted with many situations in which members will request the right to discriminatory controls or rates or something of the sort to implement a bilateral agreement or arrangement with a country or countries that have inconvertible currencies; and I think since in this field there will be a great deal of overlap because of members using one device or the other, there might be some room for consultation.

MR CLARKE (U.K.): I think we would agree with the principal point made by the Fund Observer on this, but we would like to see the American draft before us in writing before deciding which we like of the two. I think there are advantages in having a pretty complete provision for review and consultation with the Fund on the country's trading arrangements for inconvertible currencies. There was a second point made in the U.S. delegate's statement which slightly amended our last sentence here, and that may weaken the

position because it is not always the case that where you are trading with a country with an inconvertible currency transactions are carried on in that currency. They may in our own case be carried out in sterling both ways.

MR BRONZ (USA): The thought I had in mind was to strengthen it in another direction, because it is conceivable you might have a trade arrangement with a country having a convertible currency which involved the authorisation of inconvertible balances of some other countries' currencies; but I recognise the problem you raise and we may need some more drafting.

MR CLARKE (U.K.): This is a very technical question.

THE RAPPORTEUR: What I should like to suggest is this. The Rapporteur has a frightful job. If the delegates of the U.K. and U.S.A. could agree a text, it would be of the greatest help to the Rapporteur.

MR BRONZ (USA): In consultation with the Fund!

THE CHAIRMAN: That is to be taken as read. Is there anything on paragraph 1? Anything on 2(a)? 2(b)?

MR CLARKE (U.K.): On 2(b), this was a point which we put in our draft originally. We originally put it in with a cut-off date of December 31, 1949, and we were inclined to the opinion that it should still be a cut-off date of 1949. We think the condition of countries after December 31, 1949 - war shattered countries - should be looked at after any inconvertible currency arrangements.

MR BARADUC (France)(Interpretation): Why that date?

MR CLARKE (U.K.): The point is that if you take it as it is drafted here it becomes practically the same as the case (a) of inconvertible currencies.

MR BARADUC (France)(Interpretation): Do you wish to delete sub-paragraph (b) completely?

MR CLARKE (U.K.): No, we wish to substitute for the present provisions provisions that this sub-paragraph shall cease to operate at December 31, 1949.

MR BARADUC (France)(Interpretation): And you think that after this date of 31 December 1949 the stipulations of sub-paragraph (a) will be applied?

MR CLARKE (U.K.): I think they would be applicable, yes. This is a rather broader idea. It permits countries which are themselves in difficulties in their balance of payments to buy from countries whose economies have been disrupted by war whether or not those countries have convertible currencies.

The purpose is really to give further assistance to countries which have taken their reconstruction far enough to have convertible currencies and give them a little further assistance. Other countries can discriminate in their favour in certain cases if they are countries which are reconstructing after the war.

MR PHILLIPS (Australia): Does that assume that the transitional period for those countries will be the same under the Organisation as under the Fund? I am asking for clarification.

MR CLARKE (U.K.): It depends how the transitional period is set out.

MR PHILLIPS (Australia): You were assuming that countries in that position would have inconvertible currencies for the remainder of that transitional period?

MR CLARKE (U.K.): Not all countries whose economies had been disrupted by war.

MR PHILLIPS (Australia): I am not sure I have got that.

MR CLARKE (U.K.): Perhaps we could take the transitional period one next and then come back to the other.

THE CHAIRMAN: Let us look at paragraph 2(c). This sets out two alternatives. One is that members shall withdraw discriminatory restrictions maintained or imposed as soon as possible and in any event not later than one of these two dates, unless this period is extended in the case of any particular member of the Organisation after consultation with the Fund; or not later than six months after they have accepted the obligations of Article 8 of the International Monetary Fund.

MR CLARKE (U.K.): We put in our proposal, on the basis of 31 December 1949 and we stick to that.

MR BARADUC (France)(Interpretation): Mr Chairman, I do not see how it is possible to compel a member of the Monetary Fund not to apply any discriminatory measure as long as the Monetary Fund has not stated that it is in a position to comply with all the obligations of Article 8.

MR LOKANATHAN (India): Mr Chairman, on this question I think it is better to give greater freedom, and I should not like personally the date 31st December 1949. The request of the Monetary Fund clearly provided for a transition period where two dates are given. One is not later than three

years after the date on which the Fund begins operations; and then there is also the other thing: five years after the date on which the Fund begins operations and in each year thereafter any member still retaining any restrictions inconsistent with Article 8, etc., shall consult the Fund as to their future retention. It seems to me that the idea of the Fund is that the period of transition is likely to be prolonged, and I believe, judging from current conditions in various countries, from 31 December 1949 would be a rigid date, whereas if you said six months after the countries have accepted the obligations, I think that would be a much more useful date. That would be much more useful from the point of view of the countries which are affected by this, and therefore I would prefer the second alternative given, "six months after the countries have accepted the obligations of Article 8 of the Monetary Fund"; So that each member country will have the opportunity in consultation with the Fund to know when the transition period will come to an end. I think that is very important for devastated countries and for various other countries. May I at this stage also add that so far as (b) is concerned I do not mind 31st December 1949, because that refers to quite a different set of circumstances. That is where a country is giving help to the devastated countries and they want certain relaxations there. That case is entirely different from this, and therefore, while I am in favour of a specific date in regard to 2(b), I certainly think the second alternative is preferable in the case of 2(c).

MR GUNTER (USA): We are inclined to favour the U.K. alternative - that is the first one. It is perfectly true that that draft would set a date beyond which discriminatory restrictions could not be used, and in that sense it is a limitation on the transitional period in the Fund, but I would like to point out that I believe the point of the French delegate and the point of the Indian delegate are met by this draft by virtue of the fact that it provides for extensions in case of need, and secondly it does not limit the use of quantitative restrictions of a non-discriminatory sort.

THE CHAIRMAN: Well, it would appear that it is not very likely that we will resolve this difficulty at this stage.

MR BARADUC (France)(Interpretation): Could we ask for the opinion of the representative of the Monetary Fund in this matter?

MR LUTHRINGER (IMF): I think I have already indicated the general view of the Fund in this matter in the general statement which I made before Committee II. As I understand it, it is a question here of whether countries shall have any limitation on their right to use these discriminatory quantitative restrictions so long as they are under Article 14 of the Monetary Fund. This draft, of course, I think makes it specific that the right could be extended by the International Trade Organisation, so that frankly, as I see it, it is pretty much a question here of what members think they are willing to undertake in this regard, that is, whether they think that the situation as to the transition period has changed since Article 14 was adopted at Bretton Woods; but I do not see any particular difficulties in the way of co-ordination between the Fund and ITO policy. I think it reduces pretty much to that basis.

THE RAPPORTEUR: As Rapporteur, is it desirable that I should put in alternative dates for the cut off in (b) and preserve the alternative dates in (c)?

THE CHAIRMAN: I think it is quite clear that the alternative dates in (c) must be preserved.

It was not entirely clear that the same date was necessary in (b) as in (c). The Indian delegate indicated that he believed that the second alternative was the desirable one for (c), but that he thought a fixed date would be acceptable for (b), but as I understand it you have to preserve the alternatives in both (b) and (c).

MR. LOKANATHAN (India): Also in this connection I would draw the attention of the United States delegate to the United States proposals. There it is clearly stated that we should provide for the full application of non-discrimination in the use of such restrictions after the transitional period, and so far as the transitional period itself is concerned, it says "should provide for the determination of the transitional period for the purpose of sub-paragraph (b) by a procedure analogous to that contained in Article 14 of the International Monetary Fund. Therefore, I think that structure is much better than the new draft.

MR. BARADUC (France) (Interpretation): Mr. Chairman, I really wish to insist upon the necessity of not including any date. We do not even know at which date the Monetary Fund will take up its activities, and therefore why should we determine or fix a date here. If, even at Bretton Woods, after very long discussion, very flexible formulae were adopted, I do not think we should go beyond the Bretton Woods agreement. If we were going to do that, many governments would have to reconsider their acceptance of the Charter.

MR. CLARKE (United Kingdom): Just one thing on this, Mr. Chairman. I think that we should not regard our proposal here as being counter to the provisions of the I.M.F. Agreement. It seems to us that the provision that we have here for prolongation after December 31st 1949 by the Organization after consultation with the Fund automatically looks after this position, because if a

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member is still in the transitional period under I.M.F. it would be very difficult for the Fund to advise the Organization in this respect that the member should abandon discrimination.

MR. LUTHRINGER (I.M.F.): I think that is true, Mr. Chairman. That is, I think this is a somewhat different proposition from the one contained in the original American proposals, which, as I understand it, at least, would have provided for an exception only in some general clause later on in the Charter, so it does not seem to me that this particular proposal would have effected or would be likely to effect as substantial a change in Article 14 as the original American proposal would have done. That is, under this situation, as I understand it, you would have this consultation. If the consultation was of such a nature that the I.T.O. consulted with the Fund, and the Fund said "Well, we have not found that under our interpretation of Article 14 there is any reason to make representations to a country that is ready to come out from under 14 and assume 8", I suppose theoretically the I.T.O. could say "That is what you think, but we think otherwise", but I wonder if that is very likely?

THE CHAIRMAN: It seems to me as if we shall have to leave the two alternatives.

THE RAPporteur: Might I make one remark? I have omitted by mistake another sub-paragraph which is in the American draft Charter, namely, a sub-paragraph of Article 22 about prohibitions or restrictions imposed under sub-paragraph 2(a)(1) or 2(d) of Article 19. There is no point of substance there, I think. It was pure inadvertence, and I do not think there is any drafting problem. I shall put it in the next draft.

THE CHAIRMAN: Is there any comment or discussion on d in square bracket?

MR. GUNTER (United States): Mr. Chairman, did you not suggest we

were leaving this for discussion at a later point? Whatever you say I do not care, but that was what I thought.

THE CHAIRMAN: I think we have some obligation to leave it until then, since in discussion elsewhere some delegations have expressed the view that it can only be judged against the adequacy of other escape clauses, so perhaps we can defer that.

Is it your wish that we proceed now to the consideration of Article 3?

Following discussion as to the date of the next meeting, the Committee rose at 5.55 p.m.

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