

E/PC/T/C.II/CR/FV/6

UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL

PREPARATORY COMMITTEE

of the  
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report

of the

SIXTH MEETING

of the

SUB-COMMITTEE OF COMMITTEE II

on

QUANTITATIVE RESTRICTIONS AND EXCHANGE CONTROL

held in

The Convocation Hall

Church House, Westminster

on

Thursday, 21st November, 1946

at

10.30 a.m.

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

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

THE CHAIRMAN: Our first task today is to deal with draft Article 22. You will recall that at our last meeting we left this question because at that stage the best the Rapporteur had been able to do then in the light of the discussions was to produce an Article with three alternative drafts. Since we were able to pick out three countries who represented the main types of economic situation contemplated by this Article, we asked the United Kingdom and the United States and France to see if they could, after re-examining this matter, reduce the number of alternatives. They have now submitted a draft Article on which the Rapporteur has prepared a report. I suggest that we might ask the Rapporteur to explain to us what it is that this Committee has done.

THE RAPPORTEUR: Mr Chairman, as you say, the draft Article itself is not put forward really by the Rapporteur but by the "working party" of the three countries; but they have explained it to me and I hope that I understand it, and I will say a word on it, if I may. There are certain points on which there are no difficulty. If you will look at draft Article 22, 1(a) and (b) present no difficulty; they are common ground to everybody, I think. Let me leave (c) on one side for a moment and turn to (d)(i) and (ii): they are again points on which there is no difficulty, I think - they have been common ground throughout the discussions. The ones which did present more difficulty (and on which, I am glad to say, the three countries have put up a single text) are 1(c) and 1(d)(iii) and (iv). I will say something about that in a minute, if I may. If we pass to 1(e), there is another point which we have got to decide, and that is a provision for discrimination which was suggested by the Australian delegation, and I am not quite sure, as Rapporteur, whether the Australian delegation wish to press that or not, in view of the work which has subsequently been done on the other Articles for nullification and impairment. That is one of the points we have got to take up. I think I am right in saying that the three countries did not include that in their draft and therefore (I do not know whether I am speaking for them or not) it might be difficult for them to accept; but I put it in in square brackets because the Australian delegation had in fact put it forward for consideration. I would like to take up paragraphs 2 and 3 and deal with those bits which I have not yet discussed. May I now say a word or two on what I think is the solution which is put before us?

The difficult problem that has had to be dealt with is the problem really

of inconvertible currencies and the closely related problem of the transitional period. The solution that has been adopted is not to make any specific reference to the transitional period as opposed to inconvertible currencies but to run the two together; and the problem really boils down to this: how far and under what <sup>and</sup> conditions/safeguards shall countries be permitted to discriminate in their import restrictions - and there are certain corresponding problems on the export side we must bear in mind - in order to make use of inconvertible currencies or in order to avoid piling up inconvertible currencies? There has been general agreement, I believe, between the three countries concerned on the two major propositions: first, that there must be some provisions of this kind, particularly to begin with, because many countries have got inconvertible currencies, and secondly, in the case of those countries who do a lot of trade with countries having inconvertible currencies, they would find it impossible to develop their economies without some power of discrimination. On the other hand, I believe all have agreed that unless this power to discriminate is subject to very considerable safeguard, it might lead away from multilateral trading to a perpetuation and even extension of bilateral deals of a kind which it is clearly the purpose of the Organisation to reduce to the barest minimum; and this is the solution which I understand is proposed. On the export side, under 1(c), it is proposed that any country should be able to attach conditions to its exports which make it necessary for the purchasing country to pay in the currency of the selling country - a perfectly reasonable proposition - but it is necessary as one of the steps that a country might <sup>take to</sup> avoid, if it wishes to, piling up inconvertible currencies, and it either will not be called discrimination or will have a let-out here, as it were, if a country selling its goods to another country says, "You must pay in my currency". On the import side the problem boiled down to this. The safeguards which are put into this Article are, first, that a country should impose discriminatory elements in its trade restrictions only in so far as that was necessary to enable that country to buy more imports from the countries with inconvertible currencies without cutting down its imports at all from the countries with convertible currencies, and that is the purpose of 2(d)(iii). The second safeguard was that these import restrictions should correspond to exchange restrictions which would be permitted to the member under the Articles of Agreement of the Fund; and this, of course, would deal with a country in the transitional period under Article 14 of the Fund;

and that only in exceptional cases and with the prior approval of the Organisation, in agreement with the International Monetary Fund, would a country which was not imposing such restrictions be permitted to use the discriminatory element in the import restrictions for this purpose. Now, so far that would leave the country with an inconvertible currency really simply under Article 14 of the Monetary Fund; but paragraphs 2 and 3 of the Article introduce further safeguards. It is generally recognised that as the Charter as a whole would give all countries greater possibilities for free and multilateral trading, it was right and proper to say that right from the word "go" any discriminatory measures of this kind would be subject to review by the Organisation consulting with the International Monetary Fund and subject to be withdrawn if they were found to be used in a manner which discriminated unnecessarily against the trade of another member.

Finally, in paragraph 3, in order to reduce this use of discriminatory restrictions to the minimum, it is proposed that there should be a review of the whole situation when three-quarters of the members of the Organisation have convertible currencies - it being, of course, then much easier for other countries to do without discrimination - and in any event before the end of 1951.

I hope I have understood it; that is my understanding of it.

THE CHAIRMAN: Thank you. Would any of the countries whose delegates participated in the preparation of this compromise like to add anything to the Rapporteur's explanation?

MR CLARKE (U.K.): I think the Rapporteur has explained it extraordinarily well.

MR GUNTER (USA): I agree.

MR BARADUC (France)(Interpretation): Mr Chairman, I should only like to add a few words. I think that the three delegations which have worked together in order to prepare this text should thank Mr Meade for the understanding with which he has translated the proceedings into a text, and we must say that this text is a remarkable piece of work.

THE RAPPORTEUR: Mr Chairman, the Rapporteur would like to reveal the secret that not every word in the text was written by himself!

THE CHAIRMAN: I think it might simplify the proceedings if we get the Australian delegate to tell us what his view is about the paragraph in square brackets.

MR PHILLIPS (Australia): In view of the changes that we understand have been made in Article 30 (that is the nullification and impairment Article) we are

prepared to withdraw this Article. We think the provisions of Article 30 would allow the Organisation, if it was satisfied that discriminatory restrictions would be to the general advantage of world trade, to approve them under that Article. We think there could be circumstances where discrimination would be justified with the approval of the Organisation, and since that, as we understand, is possible under Article 30, we would withdraw this section here. I am not certain whether there might be some reference in the report to the point. It is a matter which might perhaps be considered, but as far as the Article is concerned, that is quite satisfactory to us.

THE CHAIRMAN: Is it acceptable to the Committee that we ask the Rapporteur to make a reference to this matter in his report?

MR. GUNTER (USA): We have no objection to a reference in the report.

THE CHAIRMAN: I take it that is generally acceptable.

MR. LOKANATHAN (India): I should like to have further clarification of paragraph 7 (b), and I would like the Rapporteur to tell us more precisely the conditions contained in paragraph 7 (b) of the report.

THE CHAIRMAN: Could we leave that for a moment? I think it would be wise if we disposed of the article and then dealt with the report when we are fairly clear as to how much of the article we are agreed about.

MR. BRONZ (USA): There is a typographical error in the draft article which may be confusing. In paragraph 1 (d),iii, the reference to article 29 should be to article 20.

MR. LOKANATHAN (India): I should like to have some clarification and explanation on both subparagraphs iii and iv on page 6.

MR. CLARKE (UK): I think the point here is that there are two conditions which discriminatory import restrictions have to meet. The first is the condition that the restrictions are expansive in the sense that they enable the country to import more than it would otherwise have been able to afford to do. The second condition is that the discriminatory restrictions are not more stringent than exchange restrictions which would be permitted to the member under the articles of the Fund. The first of those conditions is (iii); the second is (iv). There is then a proviso that where the country is not imposing exchange restrictions, only (iii) applies, but its general balance of payments situation has to be reviewed by the Fund before it is permitted to impose the discrimination.

MR. GUNTER (USA): Nos. iii & iv refer to both exchange restrictions imposed under article 14 of the Fund - transition period -- or article 8.

MR. LOKANATHAN (India): I was going to ask whether, in order that a country may use discrimination, it should satisfy both (iii) and (iv)

MR. CLARKE(UK): If it is imposing exchange restrictions at all under Article 8 of the IMF Agreement, or under Article 14, then it must satisfy both conditions. If it is not imposing exchange restrictions, it is only allowed to discriminate in special circumstances, and under condition (iii), and for a country which is not imposing exchange restrictions, (iii) has to be satisfied in regard to the expansive nature of the discrimination, and the discriminations also have to carry with them the agreement of the Fund as well as of the Organisation.

MR. CLARKE (U.K.): The reason for the whole thing is the complex situation which arose because of the existence of some currencies being convertible and others being unconvertible, and the view taken is that if a country with a convertible currency wants to impose discrimination, then the particular set-up of its trade with convertible and inconvertible currency has to be examined by the Fund to get permission for the discrimination.

MR. LOKNATHAN (India): My only difficulty is that by applying both 3 and 4 together as a satisfying condition, you are practically inviting a country to create a little exchange difficulty and get satisfaction.

MR. CLARKE (U.K.): It could not do that without the approval of the Fund.

MR. LOKNATHAN (India): I know that. Anyhow it is all right; I just wanted to know.

THE CHAIRMAN: Are there any other questions for clarification?

Then can we take the Article paragraph by paragraph? Perhaps the Rapporteur will read the first paragraph.

The Rapporteur then read from  
"1. The provisions of this section...."  
 on page 6, to ".....only with the  
prior approval of the Organisation  
in agreement with the International  
Monetary Fund." on page 7.

THE CHAIRMAN: Are there any comments on this paragraph?

MR. CLARKE (U.K.): There is just one question on (d)(1), and that is whether imports from other countries should be imports from other members. If you say "countries", you are possibly prejudging the question of relations with non-members. Frankly, it is a matter which the Sub-sub-committee has not discussed.

THE CHAIRMAN: I should have thought you were prejudging it more if you put "members".

M. BARADUC (France): I think so.

THE CHAIRMAN: If you put "members", you imply that it would not apply to non-members.

MR. HELMORE (U.K.): I think the point is this: that this is an obligation on members to do something. The question is whether one wants to specify that this only applies in the case of members as against <sup>non-</sup>members or members as against all countries. In this particular case probably you are right, that we should leave it as countries, since it refers to a freedom. If this point is noted in the Minutes, but not in the report, the Minutes will be available to the Interim Drafting Committee and they will note the discussion and the idea, and if they want to raise it as a matter of drafting, they can, but it would be better not to raise this tricky point in the report which will probably be published.

THE CHAIRMAN: As an alternative, it might merely be noted for reference to the appropriate committee of the Second Session, that when the matter of relations with non members is being dealt with, that this paragraph is one of the paragraphs to which attention should be given.

MR. HELMORE (U.K.): Yes. Could that be noted in the Minutes of this Committee and not in the report, which will be published? I think it would be undesirable.

MR. GUNTER (U.S.A.): I understand the text will stay as it is?

THE CHAIRMAN: Yes, the text will stay as "countries".

MR. PHILLIPS (Australia): These are exceptions from Article 21, are they not? And Article 21 only prevents you from imposing discrimination against members. The question is already stated in 21, is it not?

M. BARDUC (France): Yes.

MR. HELMORE (U.K.): I think that further question - which I agree is a penetrating one - is all the more reason for not trying to settle this now, but leaving it to be looked at as almost an editorial matter.

THE CHAIRMAN: Is there anything else on this paragraph? Can I take it, then, that the paragraph is agreed? Agreed.

E follows.

THE CHAIRMAN: Paragraph 2: "If the Organisation finds, after consultation with the International Monetary Fund on matters within the competence of the Fund, that import restrictions or exchange restrictions on payments and transfers in connection with imports are being applied by a member in a discriminatory manner inconsistent with the exceptions provided under this Article or in a manner which discriminates unnecessarily against the trade of another Member, the Member shall within sixty days remove the discriminations or modify them as specified by the Organisation: Provided, that a Member may, if it so desires, consult with the Organisation to obtain its previous approval for discriminations, under the procedure set forth in Article 20, paragraph 3 (c), and to the extent that such approval is given, the discriminations shall not be open to challenge under this paragraph". Any comment? I take it that paragraph 2 is agreed.

Paragraph 3.

THE RAPPORTEUR: "When three-quarters of the Members of the Organisation have accepted the obligations of Article VIII of the Articles of Agreement of the International Monetary Fund, but in any event before 31 December 1951, the Organisation shall review the provisions of this Article, in consultation with the International Monetary Fund, with a view to the earliest possible elimination of all discriminations which restrict the expansion of world trade."

THE CHAIRMAN: Any comment?

Mr. LOKNATHAN (India): It seems to me these last two lines "with a view to the earliest possible elimination of all discriminations which restrict the expansion of world trade" are much too general. I mean, it seems to be more a pious wish. I thought that with regard to this specific matter of discrimination it would be desirable to confine ourselves to specific restrictions which are likely to hamper trade rather than the general statement "with a view to the earliest possible elimination of all discriminations which restrict the expansion of world trade"; because we are dealing with Article 22. I would suggest we restrict it in that way: possible elimination of all discriminations under this Article.

Mr. CLARKE (UK): May I make a suggestion here with a view to meeting

the Indian delegate? Instead of saying "with a view to the earliest possible elimination of all discriminations which restrict the expansion of world trade", say "earliest possible elimination of all remaining discriminations which restrict the expansion of world trade".

THE CHAIRMAN: "Discriminations" is a very general term. It would cover not only the discriminations provided for in these exceptions, but all sorts of other discriminations. I mean the fact that it comes under this general heading may be sufficient, but it would appear to me necessary to say "the elimination of the discriminations provided for in this Article".

THE RAPPOREUR: I would even go so far as to suggest that it is the discriminations under 1 (d) of this Article.

THE CHAIRMAN: Presumably some of them -- 1 (a) -- you would not want.

THE RAPPOREUR: 1 (a) would stay, surely. 1 (b) is commodity agreements. 1 (c) is hardly a discrimination.

Mr CLARKE (UK): It is really (iii) and (iv).

THE RAPPOREUR: I should have thought it was 1 (d) (iii) and (iv).

I mean, let us say what we mean. Is not that so?

Mr CLARKE (UK): Yes, that is right.

THE RAPPOREUR: I should say "with a view to the earliest possible elimination of discriminations under sub-paragraph 1 (d) (iii) and (iv) of this Article".

THE CHAIRMAN: The Rapporteur suggests that we delete the word "all" and delete the words "which restrict the expansion of world trade", and insert after "discriminations" the words "under sub-paragraphs 1 (d) (iii) and (iv) of this Article".

Mr GUNTER (USA): Is it clear that the provided clause is part of (iv)?

THE RAPPOREUR: Mr Chairman, I should say it is certainly part of (iii) and (iv).

Mr CLARKE (UK): I should have thought you still do need the words "which restrict the expansion of world trade".

THE CHAIRMAN: Restrictions under those sub-paragraphs which restrict the expansion of world trade?

Mr CLARKE (UK): Yes.

THE CHAIRMAN: I think that will do.

Mr CLARKE (UK): -"of discriminations under sub-paragraph 1.(d) (iii) and (iv) which restrict the expansion of world trade".

THE CHAIRMAN: Well, will that meet your point? Is that acceptable to the other delegations? (After a pause:-) Is paragraph 3 as amended agreed? (After a pause:-) That completes Article 22.

THE RAPPOORTEUR: Mr Chairman, I suggest that we should take Articles <sup>26</sup> 20 and <sup>29</sup> 23 next, because they are the same type of subject. I do not think they will take any time, because we have been through them before. There is one change suggested in Article 20: a new paragraph has been added at the end since. Otherwise it has been approved by the Subcommittee, and I doubt whether we need go through it again. It is page 29. There is a new paragraph put in at the end of Article 20 which was suggested by the working party of the three delegations which put forward the proposal we have just been discussing for Article 22. The point was that in that nicely balanced compromise, if I may so call this, it was thought that the addition of these words here would just make the balance perfect. I think perhaps they speak for themselves.

THE CHAIRMAN: Any comment on this suggested addition to Article 20.

THE RAPPOORTEUR: I will read it: "In the early years of this Charter all Members will be confronted, in varying degrees, by problems of economic adjustment resulting from the war. During this period the Organisation shall, when required to take decisions under this Article or under Article 22, take full account of the difficulties of post-war adjustment which face the members concerned."

MR. HELMORE (UK): As I was not a member of the working party perhaps I might be allowed to suggest that their enthusiasm for a nice balance made them forget that they were writing this as an Article of a Charter, and it seems to me rather inappropriate that a Charter should just make a statement of fact, and if it does not upset the balance I suggest that we ought to adopt the drafting procedure which has been followed in nearly all other Articles by beginning "Members recognise that".

THE RAPPORTEUR: As far as the Rapporteur is concerned, Mr. Chairman, I should suggest that is an improvement.

MR. PHILLIPS (Australia): I might point out that the Articles of the Fund have a rather similar provision which is in the form of "The Fund shall recognise".

MR. BARADUC (France) (Interpretation): It is for this reason, Mr. Chairman, that the French delegation is sorry not to be able to agree with the Chief of the United Kingdom delegation, and we ask that the present text be maintained.

MR. HELMORE (UK): I do not press my amendment in the least. I can only express my sorrow at this departure from logic on the part of the French delegation.

THE CHAIRMAN: What did you say the provision was to which you referred, Mr. Phillips?

MR. PHILLIPS (Australia): Article 14, Section 5.

THE RAPPORTEUR: Is there not some misunderstanding? I understood the United Kingdom delegation suggested that the first sentence should begin with "Members recognise that", but that the second sentence should stay as it is, and it is the second sentence which says "During this period the Organization shall ..... take full account of the difficulties". It is merely the first sentence which says the Members recognise there is this difficulty.

MR. PHILLIPS (Australia): If so I withdraw my point. I misunderstood.

THE CHAIRMAN: Does the French delegate still feel that the United Kingdom suggestion impairs the sentence?

MR. BARADUC (France) (Interpretation): We can accept it, Mr. Chairman.

THE CHAIRMAN: It is suggested we insert before the words "In the early years" the words "Members recognise that", the second sentence beginning, "During this period the Organization shall" etc.

THE RAPPORTEUR: Should I remove the square brackets then?

THE CHAIRMAN: It is proposed that we remove the square brackets. Is that agreed?

THE RAPPORTEUR: Mr. Chairman, the rest of the Article is exactly as we have left it with the changes that were proposed, verbatim, last time. I do not know whether the Sub-Committee would wish in those circumstances to go right through it again. I suggest it is not necessary.

THE CHAIRMAN: Is it agreed that as we have dealt with this Article, with the exception of that one additional paragraph, before, and approved it, we pass now to Article 23, page 33 of the document? Is that acceptable?

THE RAPPORTEUR: Article 23, Mr. Chairman, is in exactly the same state as Article 20; that is to say, I have incorporated the verbal changes which were all agreed at the last meeting of the Sub-Committee, and I doubt whether it is necessary to go through it again.

THE CHAIRMAN: I notice a square bracket in the middle of Para. 3.

THE RAPPORTEUR: Yes, but you will see Note 2 at the end of the Article. We suggested this should be maintained and that it was really at a later meeting of the Preparatory Committee that one should consider whether it came up or not. I suggest the Article might stand as it is, with the notes as they are. Oh, I beg your pardon: the two notes to the Article are two new pieces of drafting for which I am responsible.

THE CHAIRMAN: Could we look then at the notes?

MR. GUNTER (US): I was just wondering if there were not more than one delegation which reserved its position on the question of common

membership. Australia did, I thought, and we meant to reserve our position on that, too.

THE CHAIRMAN: Will the delegations which did wish to reserve their position please indicate?

MR. LOKANATHAN (India): I think we did, not because we are opposed to it, but because we have not made up our minds about this.

THE RAPporteur: Shall I say, Mr. Chairman, "some delegations wished to reserve their position"?

THE CHAIRMAN: Yes.

MR. HELMORE (UK): Mr. Chairman, if you want to make this appear less of a disagreement on principle and more as an inability to make up our minds in present conditions, so far as my delegation is concerned I would be willing to have the words "The Committee wished to reserve its position", since it largely depends on a question of fact, as in note 2.

(Australia):  
MR. PHILLIPS: /: Perhaps we could accomplish what we have in mind by changing the word "principle" at the end of the first line to "requirement". I do not think anybody has any real objection to the principle. It is just the question of whether it should be required.

MR. GUNTER (US): We have some doubts about the principle and wish to reserve our position on the principle.

MR. PHILLIPS (Australia): Our minds are running on the requirement, and not the principle.

THE CHAIRMAN: I think it would be reasonable to say that all delegations were agreed that it would be convenient if all the Members of the organization were members of the Fund, but there were doubts about whether it should be made a requirement.

MR. PHILLIPS (Australia): That is right.

THE CHAIRMAN: : I am not sure whether that does not constitute a principle. It would be, as a matter of expediency, very helpful if everybody was a member of both.

MR. HELMORE (UK): I believe when we come to look at the Rapporteur's draft Report on Article 23 that the words there will be found generally acceptable to all the members of the Committee, and that these notes to the text might just be omitted. Can we return to this when we have looked at the Rapporteur's Report, and in the light of that decide whether an actual note to the text is necessary?

THE CHAIRMAN: I do feel there is some merit in a case like this in having a note to the actual text. It differs rather from some other comments which are made on the text, because it does affect the whole basis of the text, and I think it would be valuable, therefore, to have a note to it, but we might return to the wording of the note after we have had a look at the Rapporteur's Report, since we may be able to just transfer from one place to the other the appropriate words. Would that be agreeable, that we return to Note 1 after we have dealt with the Rapporteur's Report on this matter?

Is the second note all right?

THE RAPPORTEUR: It might be treated in the same way, Mr. Chairman.

THE CHAIRMAN: I suggest we leave this then until we have dealt with the relevant note in the Rapporteur's Report.

THE RAPporteur: I suggest we consider whether we want to look at article 21.

I imagine not. It is a non-controversial article which I think we passed, as it stands, at our last meeting. I presume that stands. There is one verbal change which the United Kingdom Delegation suggested, which I incorporated. We agreed that verbally?

MR. BELMORE (United Kingdom): Yes.

THE CHAIRMAN: Is that agreed? No one wishes to reopen article 21?

THE RAPporteur: We come now to article 19, which is I believe the only one remaining, on which there are to my knowledge two points which I believe certain Delegations may wish to raise.

MR. BELMORE (United Kingdom): Before we go on to article 19, which might be distinguished from the remainder of the articles as being more a matter of general commercial policy, and less a matter arising out of the general exchange trouble, I wonder if it would be convenient for us, while the exchange clauses are fresh in our minds, to look at the Rapporteur's report on the articles we have just dealt with, and keep article 19 and the report on those articles separate.

THE RAPporteur: I think there is very much to be said for that. We shall be dealing with the whole system of thought together, which is very much easier.

THE CHAIRMAN: That seems a useful suggestion to me. Is that agreeable to Delegates? Then let us turn to the Rapporteur's report. Shall we work through from article 20 on page 8?

THE RAPporteur: I would suggest working through from article 20.

THE CHAIRMAN: I suggest we take this paragraph by paragraph. I think it would probably assist Delegates if we asked the Rapporteur to read the paragraphs. It takes a little longer, but it make certain that people are familiar with it.

MR. FUNG (China): I was requested by the Secretary to be present here as an observer. I do not know whether I am to be allowed to present my views to the Sub-Committee or in the full Committee.

THE CHAIRMAN: I think the reason we asked the Secretariat to invite the Chinese Delegation to be represented here today was that they did put forward in a document certain proposals affecting article 19, which the Sub-Committee

considered at its last meeting. But it was felt that in fairness to the Chinese Delegation it would be wise for the Sub-Committee to have the opportunity of hearing the Chinese view expressed personally, and we did ask the Secretariat to invite the Chinese Delegation to be represented here. That, as I pointed out, affects Article 19.

MR. TUNG (China): We have also suggested amendments to Article 20; and we also suggested certain additions to be inserted on Article 20 of the American Draft Charter. I do not know how far the Rapporteur has taken consideration of our amendments to Article 20. The amendments suggested by the Chinese Delegation were circulated as document C.II/W./49. If I am permitted to speak here I would like to explain that briefly.

THE CHAIRMAN: If you would allow us a moment we may be able to tell you, before you begin, how far the points that you have raised in the memorandum have in fact been provided for in the revised text. For instance, the first point which you set out in that document<sup>says</sup>, "We suggest an amendment to paragraph 2". I think it is correct to say that the point you make in that amendment is provided for in the revised draft. Therefore, if you could just allow us a moment we might be able to tell you what the position is with regard to the remaining amendments, and thus save your time and that of the committee. Could I ask the Rapporteur to comment on how far the present draft does embody the Chinese suggestions?

THE RAPPORTEUR: I think that in our draft we have met the first point which the Chinese Delegation raise in their document on Article 20, paragraph 2. The Chinese Delegation say that under the United States draft Charter the application of the measures for protecting the balance of payments would last up to 31st December, 1949. In our draft there is no distinction of period at all. The country can at any time impose import restrictions, both before or after a transitional date. In fact, there is no distinction between a past transitional period and a post transitional period. In the light of the criteria which we put down in paragraph 2 of our redraft of Article 20 the member decides whether, in accordance with those criteria, it should or should not impose restrictions, and it does that at any time.

The second suggestion made by the Chinese Delegation, for the deletion of sub-paragraph (c) of paragraph 2 of Article 20 in the United States draft Charter, is a point that we have not met; because if I understand it aright, this means removing the right of a member to bring a complaint, and to get the Organization, in consultation with the Fund, to say that the restriction is being imposed in a way in which it should not be imposed, and to get the restriction modified or withdrawn.

The third suggestion made by the Chinese Delegation, for the deletion of paragraph 4 of Article 20 of the United States draft Charter, is really met in substance I think. At least, half of it is met and half of it is not met. I am not sure which half it is the Chinese Delegation wishes to delete. Paragraph 4 of Article 20 of the United States draft Charter says:

" . . . the Member maintaining or imposing such restrictions shall apply them to all important products in a manner as nearly uniform as practicable and shall in no event apply them in such a manner as would prevent the continuous importation in minimum commercial quantities of any product (a) if imports of the product are supplied principally or in important part by any other member or Members, or (b) if imports of the product are important to the maintenance of the economy of any other Member engaged in exporting the product to the Member maintaining or imposing such restrictions."

In our draft we have made it quite clear beyond all doubt that a country can select the imports for restriction which it wishes to import, and to that extent we have quite changed the balance of this suggestion in the United States draft Charter. On the other hand, we have maintained the idea that minimum quantities of the imports should be allowed in even when you are restricting them. I think the answer is that on the three points, the first point is really covered, the second point is not covered -- and there is general agreement in the Subcommittee that it should not be covered -- and in the third point, one of the two ideas is covered, and the other of the two ideas is not covered. I do not know whether that is at all intelligible.

MR. TUNG (China): What about the additional Article which we have suggested with regard to industrial development?

THE RAPporteur: I have said in my report that the work of the Subcommittee was based on the assumption that the problem of ensuring adequate support for industrial development, which was the subject of study by the Joint Committee of Committees I and II, would be adequately covered in other articles. I think that was the assumption on which we based ourselves.

THE CHAIRMAN: It should be noted in connection with that, however, that we did receive from the Joint Committee on Industrial Development a message asking us to make certain provision in the quantitative restrictions section for the position of a country going through a process of industrial development where that was likely to create balance of payments difficulties for it. The Committee examined that question, and provision has been made to cover that point in the relevant article of this section. Therefore, I would feel that it would not be proper for us here to consider any further change relating to industrial development. It was the function of the Joint Committee to consider industrial development, and I believe it was proper for them to advise us of what provision they wished us to make. If the provision that they have asked us to make is not adequate, then I believe the fault lies with the Joint Committee, and we would not be, in my opinion, acting

within our rights in adding anything further for the purpose of providing for industrial development. I suggest, therefore, to the Chinese Delegate that he does not raise that matter here. If he feels it is unsatisfactory, I think the proper place to reopen it is either by reservation on the report of the Joint Committee on Industrial Development, or in the full session.

MR. TUNG (China): May I raise one or two points arising out of the Rapporteur's answer? As I understand it, in the draft there is no fixed date. It is the transitional period you are talking about.

THE RAPporteur: What I meant to say was that our draft article 20 contains no transitional period at all. The rules are the same all the time. A country can impose import restrictions to safeguard its monetary reserves and its balance of payments. It can impose them on its own initiative all the time.

MR. TUNG (China): Until the goal is achieved?

THE RAPporteur: Until that is done. I am sure that point is met. But we do maintain, and have put a great deal of stress on, two points. The first is that the International Trade Organisation, in consultation with the Fund, can arrange, whenever it wants, for consultation between it and the Member imposing the restriction, and can suggest other ways in order, not to take them off, but in which it might meet the problem. Secondly, we have maintained -- and I think I am right in saying the Sub-Committee has attached quite considerable importance to this point -- a procedure whereby any country which can make a prima facie case for the fact that its commercial interests are being adversely affected by the action of the other Member can make a complaint that the import restrictions are not necessary to the other Member on balance of payments grounds, and when that has been considered by the Organisation, in consultation with the Fund, the Organisation can recommend the withdrawal or modification of the import restrictions, and if they are not withdrawn or modified, then the Organisation can release other Members from some of their obligations towards the country imposing the restrictions.

MR. TUNG (China): May I ask whether such a consultation is a previous or a simultaneous consultation?

THE RAPPORTEUR: The consultation is to be normally previous consultation when it is a question of a country imposing import restrictions for the first time, which has not already imposed them, except that we say there that where that is impracticable, the country undertakes to consult as soon as possible after it has imposed the restrictions. In the case of a country which is already imposing restrictions on balance of payments grounds, the consultation is taken on the initiative, not of the Member, but of the Organisation, and the Organisation will ask the member to consult at any time.

MR. TUNG (China): We are opposed to previous or simultaneous consultation, for the following reasons. When we say that members are affected, how do we know they are affected until a certain measure has been imposed for a certain period of time? It is only when it has been imposed for a period of time that we can tell from the facts and statistics whether that member's trade is affected. If we provide for previous or simultaneous consultation, a member might put forward pretended reasons which we would have no means of checking. In principle I am not opposed to consultation, but I am opposed to previous or simultaneous consultation. In my suggested draft of Article 20, there is provision to the effect that after a certain period of time, any member affected may bring up complaints. What is what I meant.

MR. HELLGORE (UK): I think there has been a misunderstanding here. There are two kinds of consultation which apply under this article. The first is, broadly, the question of whether there should be balance of payments restrictions or not, and that is consultation with the Organisation and, through it, with the International Monetary Fund. There we do apply the procedure described by the rapporteur. The other kind of consultation is where another member considers his trade is unnecessarily damaged, and clearly that is subsequent consultation, because it is not until the

restrictions are on and the damage has taken place that he has any complaint to raise. First, there is the question of whether the application of restrictions is justified by the facts of a Member's balances or reserves, and on that there are provisions as described by the rapporteur; but secondly, consultation on whether there is unnecessary damage to the commercial interests of another Member takes place on the initiative of that Member, and clearly it is subsequent to the imposition of the restrictions.

MR. TUNG (China): Thank you, but with regard to the imposition of restrictions, shall we consult with the Organisation, or not?

THE CHAIRMAN: The requirements are that you should consult the Organisation beforehand, if it is practicable. If it is not practicable, then you undertake to consult them as soon as possible afterwards. Those are the provisions of the Article as at present drafted.

MR. PHILLIPS (Australia): The Organisation -- not the other Members.

THE CHAIRMAN: Discussions with the Organisation, and not necessarily with the other Members.

MR. TUNG (China): How does the Organisation know the effect of any quantitative measures or even tariff adjustments? I am not opposed to the principle of consultation. I believe it is right. But if it is previous or simultaneous consultation, I think that consultation will delay the measures, and the Member affected may have to wait years to impose a measure that it wants to put through in weeks.

THE CHAIRMAN: We have a big programme of work, and I think we should note the Chinese Delegate's point on this matter. It is a matter which has been discussed here. We realise some of the difficulties,

and it may be necessary for the Chinese Delegation, and other Delegations, to reserve their position on this. If we embark now on a discussion of this point, which has already occupied The Sub-Committee a considerable time, it will not be possible for us to go through the report of the Rapporteur on the matters which, as Chairman of Committee II, I am very anxious to get finalised, even though we are aware it may entail some reservations. Could we note the Chinese Delegate's point and invite him to reserve his position on that?

MR. TUNG (China): Yes, I will reserve my position, and also on the additional Article.

THE CHAIRMAN: We will now go through the report on Article 20. Paragraph 1 reads:

(The Chairman read Paragraph 1)

Is there any comment on that paragraph? If not, I take it that it is agreed.

(Paragraphs 2, 3, 4, 5, 6, 7, 8 and 9 were read, and agreed)

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Paragraph 10 was read by the Rapporteur

MR. HELMORE (U.K.): In the last line but two, should not "member" be in the singular?

THE RAPPORTEUR: Yes, I beg your pardon.

THE CHAIRMAN: That correction will be noted. In the sixth line of paragraph 10 - "agreed between the member and the organization".

Paragraph 10 agreed.

Paragraph 11 was read by the Chairman.

MR. PHILLIPS (Australia): May I make a drafting suggestion? The second and third lines seem to me to carry an implication that a member can complain about another member because it is trying to safeguard its position.

Mr. Phillips then read a suggested alteration to this sentence.

THE CHAIRMAN: It would be better to say "that another member was applying restrictions in circumstances which did not warrant.." or "were not necessary".

MR. PHILLIPS (Australia): Anything of that kind. I will leave it to the Chairman.

THE RAPPORTEUR: What about "applying restrictions unnecessarily"?

MR. HELMORE (U.K.): I would prefer the suggestion made originally by the Australian delegate.

THE CHAIRMAN: It seems to me that a complaint must refer to an action. I think Mr. Meade's suggestion that another member was applying restrictions unnecessarily, or applying restrictions when they were unnecessary to support its external balance of payments, is better.

MR. HELMORE (U.K.): Yes.

THE CHAIRMAN: Then the first sentence would read:

"It was widely agreed that it should be open to any member to bring a complaint to the Organization that another member was applying restrictions when they were unnecessary to safeguard its external financial position."

Is that amendment accepted? Any other comments?

MR. LOKANATHAN (India): I have a little difficulty with the second sentence. In the first sentence we allow a member to bring a complaint, but only if its commercial interests are affected, on the basis that the other member is using restrictions which are not necessary to safeguard its financial position. If that is the criterion, we ought not here to bring a new criterion that its own commercial interests should be adversely affected because it is quite conceivable that its own commercial interests might not be adversely affected and yet, on a point of international organization, it is open for the Organization to say that such and such a member is not entitled to use restrictions because they are unnecessary.

THE CHAIRMAN: I would remind the Indian delegate that this point was discussed very fully. Members will recall that that condition arose from the suggestion that there was some obligation on a complaining member to establish something of a case. It was pointed out that they could not be expected to show that a country was or was not in balance of payments difficulties but, in order to protect the Organization from trivial complaints, and in order to place some obligation of proof on the complaining member, it was felt that the least that should be required of them was that they should show <sup>that</sup> what another country was doing was in fact imposing some harm on them. While I appreciate the point made by the Indian delegate, I would point out that I would not like to see the matter re-discussed here.

MR. LOKANATHAN (India): I am not concerned with the substance at all unduly. My only point is that in one case we allow a member to complain on one ground, and the complaint itself is to be judged on an entirely different ground. My objection is more formal than substantial. I am not really concerned with the substance of it.

MR. VIDELA (Chile): I think there are two questions. One is to  
open to a member -

THE CHAIRMAN: Would you excuse me, Mr. Videla, for one moment?

Is not this the same case? I do not think there is any  
difference. The first sentence in paragraph 11 establishes  
the right to complain. The second sentence establishes the  
way in which the complaint shall be made, or the way in which  
it shall be considered. That would mean that the right to  
complain is untrammelled but the Organization is instructed  
in the second sentence not to take any notice of the com-  
plaint, not to consider the complaint unless it is satis-  
fied that the complaining member has made out a prima facie  
case that its commercial interests are adversely affected.

Mr LOKANATHAN (India): Do not think I am pressing this matter unduly, but I am only saying that in that case it is the commercial industry not so much of that complaining member but of any other members. That is the real point. We are concerned with two matters: one is the international aspect and the other is the complaining member's own case. I do not want to press it, however.

THE CHAIRMAN: Could we leave that point for later examination?

Mr LOKANATHAN (India): Yes.

THE CHAIRMAN: Anything else on paragraph 11?

Mr PHILLIPS (Australia): One very short point about 8 lines from the end of the paragraph. You remember, we changed the Article to read "such other members of the Organisation will be released from such obligations". I wonder if we should use the same phrase here — "such" instead of "the" in the 8th line of page 12.

THE CHAIRMAN: Yes. The 8th line from the top of the page should now read: "or modify them appropriately"—. The word "the" should be deleted and the word "such" inserted; so that it should read "such other Members of the Organisation would be released from such obligations towards the Member in question as the Organisation might specify". That is in accordance with the wording of the Article. Is that agreed? Anything else on paragraph 11? Paragraph 12?

Mr LOKANATHAN (India): Mr Chairman, this is a vital section for us, and I should like to know whether my interpretation is correct, because it is on that that our approval or disapproval should rest. There are two questions that I want to raise for my own clarification. Now we have eliminated this transition period here. Therefore if a country wants to take advantage of what is contained in paragraph 12, then it should have to satisfy the Organisation that it needs all the restrictions which are permitted under certain safeguards. It will have to prove all that. If there were a transition period, of course that proof would not be necessary. The general proof would be one established under the fact that the I.M.F. has permitted the transition period to continue. Therefore I ask myself whether it covers enough safeguard for countries which, without too much proof being called for, would be in a position to select imports. It seems

to me it is a very real difficulty for several countries, which, unless there is a transition period at least as a safeguard, would be subject to a severer standard. I do not know whether I have made myself clear. The point is this: if there were a transition period for four years, let us say, then it is obviously entitled to use those restrictions and therefore it can use the idea of paragraph 12 without much difficulty; but, since the transition period will not be in operation so far as this Article is concerned, then a country, if it wants to be selective in its imports must necessarily conform to all the somewhat justifiably rigorous conditions which are imposed on it.

THE RAPPORTEUR: Mr Chairman, as I understand the position, it is this: I think the point raised by the Indian delegate is really covered. The country in question would not have to obtain the prior approval or agreement of the Organisation or of the Fund. It would have itself to believe that it was in a financial position which would not permit it to allow the free imports of both capital goods and consumption goods. If it itself judged that it was not in such a position, then it could put import restrictions on, and it could put them on as selectively as it wished, subject only to the fact that if another member said "You are doing it in a way which unnecessarily damages our interests", it would be prepared to consult with them, and subject also to the procedure that another member could bring a complaint that it was not necessary for the country in question to restrict imports because it could afford all imports; but there is no question that, whether during the transitional period or hereafter, if the country in question itself considered that it was not in a financial position to afford both types of imports, it could stop one type of import without stopping the other, subject, as I say, both to the consultation as to whether it was doing it in a way which unnecessarily damaged the other country's interests and subject to the procedure of complaint that it did not need to restrict either type of imports because it had the foreign exchange.

Mr LOKANATHAN (India): I understand that point, Mr Chairman. A little unfortunately, I myself helped in the drafting of that provision. It is a pity. But the other question I should like to ask is, what

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shall we do? It does not take away the right of any country to have the transition period under the I.M.F. I think that is a proper safeguard, because as long as that transition period lasts, then they can still use the principle in this paragraph. Is my understanding correct? That is to say, supposing the transition period under I.M.F. is available, then so long as the same restrictions are allowed in that transition period, the imports could still be selected.

r HELMORE (UK): Mr Chairman, may I have a shot at this one? The two things, it seems to me, are essentially different. Nothing in this Article affects a Member's rights under the I.M.F. We are not altering the articles of agreement of the I.M.F. What this Article says is that if a country has not got or expects that it will not have the external resources to pay for all the imports that would otherwise arrive, it can select the ones that are most suitable to its domestic employment reconstruction development or social policies, and that right to select, as long as the country is in the balance of payments difficulty or, as I have described it, is without limit in time.

r LOKANATHAN (India): I have no further comment to make on this, except to say that we may have the same position in the transition period, because I personally believe that for us from our point of view -- and not merely India but various countries which are in a similar position -- what is contained in the American draft Charter would be more helpful to us; but, of course, at this stage it is certainly not possible for me to introduce a new factor; but I do reserve our position.

HE CHAIRMAN: We will take a note of that.

r VIDELA (Chile): Mr Chairman, I think the machinery for consultation or sanctions is already described in paragraph 11.

HE CHAIRMAN: Yes.

r VIDELA (Chile): Therefore perhaps the Indian delegate or other members will not need to make any reservation if we delete the words/"subject to consultation with other members" up to the end, because really all this machinery is covered already in paragraph 11. If a country thinks that any measure is unnecessary, it has a right to apply to consult, and so on. Then these three lines at the end of the paragraph are not really clearing the position; on the contrary, I am doubting the

position because the interpretation made by the Rapporteur is the right one, but it does not say that here. I am referring to the question of consultation. It says "subject to consultation". But when will the consultation arise -- before the taking of the measure or after the taking of the measure? I think it is not very clear -- these three last lines.

THE RAPPORTEUR: Yes. In the paragraph in Article 20 it says in respect to this selection of imports that the Members shall avoid unnecessary damage to the commercial interests of other Members and will accept an invitation to consult with any other Member which considers its interest will be so damaged. This does not perhaps properly record that.

MR. VIDELA (Chile): Paragraph 11?

THE RAPPORTEUR: Yes. Shall we leave it out here?

MR. VIDELA (Chile): That it should be open to any Member to bring a complaint, and so on.

THE RAPPORTEUR: Yes, it is really already covered.

MR. VIDELA (Chile): It is not necessary to put in again the same machinery.

THE CHAIRMAN: I think the point of the Chilean delegate seems reasonable. Paragraph 11 covers adequately machinery for consultation, etc, and I think it is unnecessary to repeat it in paragraph 12. Would it be agreeable that we delete the words from "subject" down to "members" in paragraph 12? All right, the words from "subject" to "members" deleted. Any other comment on paragraph 12?

MR. BRONZ (US): Mr. Chairman, we have for some time had some misgivings about the machinery language in the provisions to which this Report refers, but there has been a lot of difficulty about trying to pin it down more precisely, and I wondered whether another sentence in this Report might not help in that respect. What we have in mind is this: The reason for putting in the clause, as has been expressed by a number of delegations, was to meet a situation like a country proposing a general programme of reconstruction involving modernization of machinery and which might want to import capital goods, and in order to do that, because of its balance of payments position, would have to restrict the import of consumer goods; and, similarly, an undeveloped country that wanted to develop industry and had

to spend a lot of foreign exchange to get imports of machinery might want to restrict the import of consumer goods; but the language of the section itself might be mis-used in a situation for protectionist reasons, to exclude imports which might compete with domestic manufacture in a particular field, which would have nothing to do with the general programme of development and reconstruction of the country. I wonder whether we could include a sentence in this paragraph to that general effect, that the intention of this clause is to permit of discrimination between capital and consumer goods, but not for general protectionist reasons?

MR. HELMORE (UK): Mr. Chairman, I think we should be very unwise to try to explain in this paragraph of the Report all the various reasons which might be adduced. It is not only reconstruction policies that we are talking about here. It is also social policies, and if we really set ourselves out to explain just how this Article might operate I think we should be here for another week.

THE CHAIRMAN: After all, the essential point is that given a situation in which the limitation of imports is judged to be necessary in accordance with the other provisions, this is to protect the right of a country in doing that to choose the imports which it considers necessary in the light of matters which are essentially domestic in their character, and I feel pretty much as Mr. Helmore does, that while I agree your interpretation of the discussion is accurate, in that those two situations are the ones which have been most frequently developed here as an illustration of the need for a provision of this sort, I think if we made provision for them you would probably find there were others and that our discussion might run on considerably.

MR. BRONZ (US): Well, supposing we try to state it negatively, and say that it was not intended that this Article would be used where

the only domestic policy involved was one of the protecting of domestic industry against competition from foreign goods.

MR. VIDELA (Chile): You have to view the whole situation.

MR. LOKANATHAN (India): This is a very difficult question, Mr. Chairman.

I do not think we can dispose of it in a few minutes. I think it raises a number of issues. I agree that it is a very important point, but it is not a matter which can be agreed to in two minutes or even an hour.

MR. HELMORE (UK): I would really make an appeal to the United States delegate not to press this point. The commitment that a country is going to undertake and the situation which any country will have to consider in the light of the Charter as a whole will be decided by what is in the Article, and not by what is in this Report, which is to give a description to the public of what we have been doing, and I should have thought that to re-open this question at this stage might destroy what I think in this Sub-Committee I can call a somewhat delicate balance between the various views that have been expressed, and it really would be better to leave it as we have it. The Article is going to be made public. People can see the translation of this thought into the words of the suggested commitment, and we had much better leave it at that.

MR. VIDELA (Chile): Hear, hear.

MR. BRONZ (US): In view of the objections raised we will drop the point now, although we might conceivably want to re-raise it in Committee II.

THE CHAIRMAN: Anything else on this paragraph?

MR. PHILLIPS (Australia): Just a small drafting point. Can we leave out "on these grounds". I am not clear what the words mean.

THE RAPPORTEUR: Yes.

MR. HELMORE (UK): I would much sooner make it clear what they mean and say "On balance of payments grounds".

MR. PHILLIPS (Australia): Yes.

THE CHAIRMAN: Delete the word "these" in the second line of Paragraph 12 and substitute "balance of payments grounds".

Anything else on Paragraph 12? I take it Paragraph 12 is agreed.

Paragraph 13?

(Paragraph 13 read and agreed without comment).

- Paragraph 14.
- THE RAPPORTEUR: "It was generally agreed that the principles and procedures for restricting imports under private trade to safeguard a Member's external financial position should be applied mutatis mutandis to the restriction (to a greater extent than would otherwise be permissible) of imports by a State trading organization. It should, however, be provided that the disclosure of information which would hamper the commercial operations of such a State trading organization would not be required."
- THE CHAIRMAN: Are there any comments on paragraph 14?
- MR. HELMORE (United Kingdom): I have what is simply an editorial matter. You might wish to transfer to the end of that paragraph the note on the text. I have no views on that, however. It is just whether we want the comment in the report of a comment at the end of the text.
- THE RAPPORTEUR: We could leave that, to bring it in line with other reports.
- MR. HELMORE (United Kingdom): I would like that left to be handled purely as an editorial question.
- THE CHAIRMAN: "[15. There was general agreement for the view that in the early years after the war the Organization, in the functions proposed for it under this article and under article 22, should pay due regard to the difficulties of post-war adjustment with which the Members would be confronted.]"
- I presume the square brackets will be removed in the same way as from the article itself?
- THE RAPPORTEUR: Yes.
- MR. HELMORE (United Kingdom): Could we insert the words "in varying degrees", which come from the paragraph we put in this morning, so that it would read "with which the Members would be confronted in varying degrees."
- THE CHAIRMAN: Is that agreeable, to add after confronted the words "in varying degrees"?
- THE RAPPORTEUR: "The Sub-Committee had referred to it a request of the Joint Committee of Committees I and II 'that in Article 20 provision should be made to cover the position of a Member who, as a result of its plans for industrial development or reconstruction, anticipates that its accruing international monetary resources will be inadequate to finance the needed imports of capital goods unless it imposes regulations in respect of certain classes of consumer goods.' This point is met in the draft text of Article 20 which is appended to this report. Under paragraph 2 (a) a country could apply quantitative import restrictions to anticipate the imminent threat of a serious decline in its monetary reserves. Moreover, it is there suggested that in interpreting this

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"principle due regard should be had to any commitments or other circumstances which may be affecting a country's needs for reserves. It follows that a country which was threatened with a serious decline in its reserves and which had heavy external payments to meet in the near future could protect its external financial position by import restrictions."

THE CHAIRMAN: Are there any comments on paragraph 16?

MR. HELMORE (United Kingdom): I believe that at the final meeting of Committees I and II the precise wording of that message was slightly amended. May we ask the Secretariat to be sure that the quotation is correct? I think one or two other members here were present at that meeting, when there was no alteration in the substance and the note is perfectly in order.

THE CHAIRMAN: With that request to the Secretariat can we take it that paragraph 16 is approved?

"17. In paragraph 1 of the draft Article 20 it is recognized that 'Members may need import restrictions as a means of safeguarding their external financial position .... particularly in view of their increased demand for the imports needed to carry out their domestic .... development .... policies'; and in paragraph 3 (c) of the draft Article 20 it is laid down that 'the Organization ... shall not recommend the withdrawal or general relaxation of restrictions on the grounds that the existing or prospective balance of payments difficulties of the Member in question could be avoided by a change in the Member's domestic development policies'. Thus it is clear that a Member could not be required to modify its domestic development plans on the grounds that they imposed a strain on its balance of payments and this made some control of imports necessary."

Are there any comments on paragraph 17?

MR. KAFKA (Brazil): There is a drafting matter. Could we strike out the word "some" in the last sentence?

THE CHAIRMAN: Yes. I do not think it has any meaning. Is it agreed we delete the word "some" from the last sentence, making it read ". . and this made control of imports necessary"?

THE RAPPORTEUR: "this" there should be "thus" - "and thus made control".

THE CHAIRMAN: Are those two amendments in the last sentence agreed?

Is there any other comment on paragraph 17? Then I take it it is agreed.

THE RAPPORTEUR: "18. In paragraph 4 of draft article 20 it is expressly laid down that 'a Member may select imports for restriction in such a way as to promote its domestic .... development ... policies', so that a Member could if necessary restrict the import of certain consumer goods without restricting the import of capital goods."

THE CHAIRMAN: Are there any comments on paragraph 18?

MR. KAFKA (Brazil): Could we strike out the word "certain" in the last sentence?

THE CHAIRMAN: Delete "certain" to make it read ". . . the import of consumer goods." Is that agreed? Is there anything else on paragraph 18?

MR. VIDELA (Chile): Is "without restricting the import of capital goods" imperative? I do not know English very well, but it seems to me that when you say "without restricting the import of capital goods" it means/there <sup>if</sup> is a restriction on consumer goods it also applies to capital goods?

THE RAPPORTEUR: Oh no.

THE CHAIRMAN: It is quite all right.

MR. HELMORE (United Kingdom): I think in the light of the comment by the United States Delegation we might consider whether it would not be better to leave out the explanation and just say:

"18. Moreover, in paragraph 4 of Article 20 it is expressly laid down " --

down to the end of the quotation and omit the end.

MR. VIDELA (Chile): I think that is better.

MR. BRONZ (United States): I think we prefer it as it is.

THE CHAIRMAN: It does seem to me it has particular relevance to the question being dealt with in the report here. We have a message from the Industrial Development Committee, which places before us certain requests to make certain provisions. I think it is proper for us to explain in some detail the way in which those requests have been met. I think the point here is not a general one explaining paragraph 4 of Article 20. It does in fact meet a point put forward from the Industrial Development Committee, and therefore I think it is proper to include that explanation.

THE RAPPORTEUR: I may say it is the message from the Joint Committee which contains the word "certain."

MR. HELMORE (United Kingdom): But is it, Mr. Chairman, because I believe those were the words in the message from the Committee which were altered.

I do not press my point at all. It is perfectly all right as it is.

THE CHAIRMAN: Paragraph 18 is agreed then, with the deletion of the word "certain."

THE RAPPORTEUR: "19. The Draft Article would, however, prevent a Member from applying restrictions if its foreign exchange resources were sufficient for it to finance all types of imports. In other words, the Member would be permitted under Article 20 to restrict only to the extent necessary to safeguard its monetary reserves. Up to this point it would have to admit imports of one class or another. Members would also be under an obligation not to apply any restrictions of a selective character in a manner which unnecessarily damaged the commercial interests of other Members."

MR. VIDELA (Chile): I want to make my reservation on this paragraph.

THE CHAIRMAN: The Delegate of Chile notes that he wishes to record his reservation on paragraph 19. Are there any other comments on this paragraph? I take it that, with that reservation, paragraph 19 is agreed.

(Paragraph 20 and 21 were then read and agreed to without comment).

THE CHAIRMAN: That completes the section of the report which deals with Article 20. Before we pass to the next stage of the business our Rapporteur has a personal statement to make.

THE RAPPORTEUR: I am extremely sorry that it should be so, but the work which I have to do in another office in this town makes it quite impossible for me to carry on. When I accepted the post of Rapporteur of this Sub-Committee I imagined that it would all be over by yesterday. It would be quite impossible for me to be here this afternoon or tomorrow, or indeed at any time for the rest of this week or on Monday. Even after that it would be almost impossible.

I am extremely sorry not to see this job through, having embarked on it. All I can say is that I have got to the stage when I have presented a complete report on all the Articles. I think it is quite inevitable that I should, as gracefully as possible, withdraw.

THE CHAIRMAN: Well, gentlemen, I do not think we can do anything but express our very great regret that Mr. Meade is unable to carry the task which he has performed so admirably through to its final stages. I know you would wish me to tell Mr. Meade, however, that we are exceedingly grateful to him for the remarkable skill and devotion with which he has carried through his task here. We could not possibly, I am certain, have found a Rapporteur who would have fulfilled the obligations of such a position so perfectly; and I hope Mr. Meade will know, therefore, that we accept the inevitability of his departure with very great regret and with the most sincere appreciation of what he has been able to do for us; and we are comforted at his departure by the knowledge that the job has been so well done that to whomever falls the task of completing the mechanics of this job will be concerned only with mechanics, because he will be taking over a job practically completed in all its respects.

MR VIDELA (Chile): I very much regret what has happened. May I suggest that we send a special message to his boss?

THE RAPPORTEUR: I am deeply grateful for what you say, and very grateful indeed to the Chilean delegate for his words. I am afraid it is no good sending a message to my boss. My boss has made it quite clear that no such message would avail. (Laughter). In a sense - I will admit frankly - I am my own boss in this matter. (Laughter). But I have in fact a duty to perform for my bosses which I have to perform by a certain date, and it would be no use suggesting to them that it should not be performed by that date; and I have a certain meeting this afternoon which is starting it, and unless I attend it it simply cannot be done. I really think it is inevitable, much as I appreciate the very kind thought of the Chilean delegate.

MR HELMORE (U.K.): Could I just say shortly that my Government is extremely sorry that this unfortunate change (as I think I can say, in the light of the general views of the Committee) should have to take place; and, whether Mr. Meade is his own boss or not, it will give me very great pleasure to convey to the proper authorities what has been said about his work at this Committee.

THE CHAIRMAN: Thank you. I will be grateful if the members of the Committee will

make suggestions as to how we can look after the final stages of the Rapporteur's work. It will be necessary for someone to outline the reports to the full Committee and to look after any changes which may be suggested in that Committee and a number of other minor tasks that it would be desirable to have some person or persons responsible for; so would any delegation like to suggest someone who could take over?

MR KAFKA (Brazil): Mr Chairman, may I suggest that the delegate from the United States, who has been working very closely on this, might take over the job?

THE CHAIRMAN: Is that agreeable to the Sub-Committee? (Agreed.) And is it agreeable to the United States delegate?

MR GUNTER (USA): Yes.

THE CHAIRMAN: Would you take the opportunity, if you can, to bring the delegate of the United States up to date with his duties?

THE RAPporteur: Yes.

THE CHAIRMAN: What is the wish of the Committee? We still have a number of chapters of the report to deal with, and I think also we still have some matters to consider arising out of Article 19. The position this afternoon is that there is a meeting of the Drafting Sub-Committee on State Trading at 2.30, which I understand is likely to be formal only. At 3 I think there is an informal meeting between the Chairman and Rapporteur of the Procedures and Tariffs Sub-Committee of Committee II and representatives of those delegations who were not members of the Drafting Sub-Committee for the purpose of enabling the Chairman and Rapporteur to inform those delegations of the progress of the work and to answer any questions, so that when the question comes before the full Committee tomorrow they will be fully informed and we may be able to save some time in discussion. That is likely to continue, I should think, for at least a couple of hours. Then I think there is a Heads of Delegations meeting at 4.30. Tomorrow Committee II. will be meeting. Can we meet this afternoon? Are there any of the delegates who would be affected by the Drafting Sub-Committee on State Trading or by the informal discussion arising out of the Procedures Sub-Committee?

MR KAFKA (Brazil): I shall have to be present for a short while at the Procedures Sub-Committee meeting. On the other hand, my only interest here is in Article 19 so perhaps we could dovetail this somehow.

THE CHAIRMAN: Could we meet at 2.30, and we could leave till fairly late the discussion of Article 19, that is, until after we have disposed of the other

matters; and by that time the Brazilian delegate would have returned.

MR KAFKA (Brazil): You would start with the other Articles, then?

THE CHAIRMAN: We would continue with the report and dispose of that and with 22, 23 and so on, and we will come back to 19.

MR KAFKA (Brazil): You would perhaps call me from the Procedures Sub-Committee when you come to Article 19?

THE CHAIRMAN: Yes, we will let you know. Now, is that agreeable to the Committee? (Agreed.)

MR TUNG (China): I will be on the State Trading Drafting Committee, so I will not be able to come.

THE CHAIRMAN: I think we can meet your difficulty in the same way. I understand that is likely to be a very short meeting, and we would not come on to Article 19 until some time later. We will inform you when Article 19 is coming under discussion.

MR TUNG (China): Thank you.

THE CHAIRMAN: Then we will adjourn now until 2.30.

The meeting rose at 12.50 p.m.

(For Verbatim Report of Afternoon Session, see  
E/PC/T/C.II/QR/PV/6 - Part II).

The meeting resumed at 2.30 p.m.

THE CHAIRMAN: Gentlemen, we pass now to the section of the Report dealing with Article 21. I suggest we proceed as before and take this paragraph by paragraph: "1. There was wide agreement with the proposal that there should be a general rule for non-discrimination in the use of quantitative restrictions, the necessary exceptions to this general rule being listed in the subsequent Articles". Is there any comment? I take it that this paragraph is approved. Now paragraph 2. Is there any comment on paragraph 2?

Mr VIDELA (Chile): I do not know whether to raise this particular point in this part of the discussion. The draft report of the Subcommittee on the matter of quota preferences is still under study on the small Subcommittee; but I think we have to leave this part of the Article 21 open, when the Subcommittee will reach a conclusion and will present to Committee II the decision or the work done.

THE CHAIRMAN: I think that is correct. The report of the treatment of preferences in the form of quotas will come back to the main Committee, and if it is the opinion of any delegate when he has examined that report that there remains the necessity to deal with those preferences in the form of quotas in any way other than that provided for in this section, it will be open to him to raise it in general Committee or to reserve his position on it.

Mr VIDELA (Chile): I may add that at the present moment the Chilean delegation is satisfied with the work of the Subcommittee, because, as you know, Mr Chairman, there are two parts involved: one is the interrelation between the Empire countries, particularly Australia and New Zealand and the United Kingdom, and the other part the interrelation between the South American countries as exporters of meat. I would not go further until we have reached that agreement.

THE CHAIRMAN: Well, it is quite clear that the Chilean position is such that it would be completely open to the Chilean delegates to raise the matter in relation to quotas if he thinks the report of the Committee dealing with preferences in that form is in any way inaccurate.

Mr VIDELA (Chile): Thank you.

THE CHAIRMAN: Is there any other point?

Mr CLARKE (UK): What about these square brackets in 2 (c)?

THE CHAIRMAN: I think they can be omitted. They were not in previously and I think largely because the form of the paragraph was different. Is it agreed that we can delete the square brackets in sub-paragraph (c) of paragraph 2? That is agreed. The square brackets are removed. Is there anything else on paragraph 2? Then I take it paragraph 2 is agreed. Paragraph 3. Is there any comment. I take it, then, that, with due recognition of the typist's error, we accept paragraph 3. Is that agreed? That is agreed. We will take 23 next, as it is next in the Report. I think we will proceed straight through. Article 23, paragraph 1.

Mr HELMORE (UK): I take it that the typing error has been picked up; in the last complete line of 1 it should be "inevitably" not "inevitable".

THE CHAIRMAN: I take it that that paragraph 1 is agreed. Paragraph 2. I think this is a point that may require some modification, in view of the views which have been expressed this morning. I think perhaps it would meet the point if it were said: "The problem would be much simplified if all members of the Organisation were also members of the International Monetary Fund". I do not think there would be any disagreement from that. Suppose we delete the next paragraph and then say: "However, some delegations felt that it would be necessary to allow freely for independent membership of the Organisation and the Fund". If it is desired, we could put the wide agreement in the first sentence and say: "There was wide agreement that the problem would be much simplified"——

Mr LOKANATHAN (India): Also there are other delegations which are unable to make up their minds on this matter now whether there should be common membership or whether there should be equal membership. We should like that to be left over for the present.

THE CHAIRMAN: Mr Helmore suggested that we might in fact take the second sentence so far as to say, expressing a general view, that doubt was expressed as to whether it would not be necessary or

whether it may not be necessary to provide or to allow freely for independent membership.

Mr HELMORE (UK): I think my words were that the Committee came to no decision: there was no final decision.

THE CHAIRMAN: Might I suggest this: "It was agreed that the problem would be much simplified if all members of the Organisation were also members of the International Monetary Fund. The Committee came to no decision, however, as some of the delegations considered that it may well be necessary to allow freely for independent membership of the Organisation and the Fund".

Mr HELMORE (UK): I think, Mr Chairman, if you put in "The Committee came to no decision on the question of requiring common membership", then we have expressed the thing to give general effect to what was a decision on which people were not adopting violent points of principle but were genuinely troubled about how to deal with this. Mr Chairman, there is a consequential amendment, I think, if we could now bring up paragraph 4.

THE CHAIRMAN: Can we just finish that and see if we have got agreement on that first. The suggested paragraph now reads: "It was agreed that the problem would be much simplified if members of the Organisation were also members of the International Monetary Fund. The Committee came to no decision, however, on the question of requiring common membership, as some of the delegations considered that it may well be necessary to allow freely for independent membership of the Organisation and the Fund". Is that acceptable to delegations?

Mr HELMORE (UK): I think that would be acceptable to the United Kingdom, Mr Chairman, if we could now take paragraph 4 as paragraph 3, beginning "Consideration was therefore given"—.

THE CHAIRMAN: I think the Australian delegation were concerned about this question. Would that wording be acceptable?

Mr PHILLIPS (Australia): I think so, but I should just like to look at it. (After a pause:—) We felt perhaps it should be a little stronger than "it would be desirable"; but I do not want to press that point.

THE CHAIRMAN: "it may well be necessary"?

Mr PHILLIPS (Australia): "it may well be necessary", yes, that would

THE CHAIRMAN: Are there any other comments on that? Then I take it that that paragraph is approved. I understand the United Kingdom delegation suggests that we take paragraph 4 before paragraph 3.

Mr HELMORE (UK): I have said my approval of paragraph 2 as amended was rather contingent on moving up paragraph 4.

THE CHAIRMAN: Let us take it in that order. There would be some incidental alteration to paragraph 4 as it appears here?

Mr HELMORE (UK): Yes; the first "also" I suggest should become "therefore", and the second "also" in the second line should be omitted.

THE CHAIRMAN: "Consideration was therefore given to the question whether special provision should not be made for a country which wished to become a Member of the Organisation without becoming a Member of the Fund". That becomes paragraph 3. Is that all right: is that agreeable? The new paragraph 3 is agreed. Now paragraph 4. Is there any comment on that?

Mr HELMORE (UK): Mr Chairman, may we at this point turn to the notes on Article 23 which were left over in the light of that discussion?

THE CHAIRMAN: I am just wondering whether the sentence that concludes the new paragraph 3 should not also be added to the new paragraph 4.

(UK)  
Mr HELMORE: Mr Chairman, I wanted to suggest that we should say:

"With reference to the paragraph in square brackets in paragraph 3, see the report on Article 23, paragraphs 2, 3 and 4", or "paragraphs 2 and 3". I think then we avoid repeating ourselves.

THE CHAIRMAN: Yes. Will the delegates adopt the reference. It is on page 34 of the report. At present it reads: "Some delegations wish to reserve their position" &c — "on the principle that Members of the Organisation should also be Members of the International Monetary Fund". Now, Mr Helmore, will you just read out how you suggest it should read.

Mr HELMORE (UK): I am just writing it down, I hope correctly this time, Mr Chairman. "With respect to the words in square brackets in paragraph 3 reference should be made to paragraphs 2 and 3 of the report covering this article". Mr Chairman, I would hope that that

reference back to the report and the fact that the words are in square brackets would satisfy both sides of the House, since we say in the report that the Committee came to no decision on this point.

THE RAPPOORTEUR: Are you proposing that the second item in the notes remain, or could it be deleted?

Mr HELMORE (UK): I think the whole of the note could be deleted.

THE CHAIRMAN: Substitute the new note for notes 1 and 2. That seems to me to meet the case. Are there any further comments on those notes? Then shall we refer back to Article 23, paragraph 4. Is it necessary to add anything at the end of paragraph 4 similar to what is at the end of the new paragraph 3? Is it necessary to make any reference to a review of this question?

THE RAPPOORTEUR: This definitely is to be provided for in any event.

THE CHAIRMAN: Yes. Paragraph 5. Is there any comment on this paragraph?

Mr PHILLIPS (Australia): A small point about 7 lines from the bottom: "the Fund could not be frustrated"-. Would that be "would" or "should"?

THE CHAIRMAN: "would" instead of "could"?

Mr PHILLIPS (Australia): Yes.

THE CHAIRMAN: Is that acceptable — yes. Anything else on this paragraph? Then I take it paragraph 5 is agreed. We come to Article 23.

Mr CLARKE (UK): Mr Chairman, I think there is no reference in the report to draft paragraph 2 of the draft Article about members agreeing that they will not seek by exchange action to frustrate the purposes of the Charter, and vice versa. We do not feel particularly strongly that it should go into the report, but I do not think we should leave it unnoticed.

THE CHAIRMAN: It may be that is covered by the first sentence of 5, the acceptance of that obligation.

Mr CLARKE (UK): Then let us leave it as it is, Mr Chairman.

THE CHAIRMAN: I think so.

Mr. LUTHRINGER (I.M.F.): Mr Chairman, could not that be well covered at the end of the first paragraph of the report by saying: "It is

further desirable that the members agree that they should not try to use one organisation to frustrate the other".

THE RAPPOREUR: Can I say: "It was widely agreed that members should not seek by exchange action to frustrate the purposes of the Organisation or the Charter"?

THE CHAIRMAN: I think that would probably be sufficient if you just said that - that members should agree.

THE RAPPOREUR: "It was widely agreed that members should undertake"- ?

THE CHAIRMAN: Yes, add that to paragraph 1 or a short paragraph to follow paragraph 1.

Mr PHILLIPS (Australia): A new paragraph.

THE CHAIRMAN: I think it would be better in a new paragraph, since the first one is not in that form. We make that new paragraph 2 and alter the others accordingly: 3, 4, 5 and 6. Now let us look at Article 22. This is in a separate document - document 64 add 1. Take paragraph 1.

THE CHAIRMAN: Any comment on this paragraph? It is practically a quote from the relevant Article.

MR. HELMORE (UK): Yes. There is one point in which it is not a quote - a point which I raised this morning. Paragraph (d)(ii) refers to a country whose economy has been disrupted by war. I think we should repeat that word in the Report. In Paragraph 1(c) we refer to a Member whose economy has been disrupted by war. I think we meant to say a Country. And, Mr. Chairman, I am bothered from time to time on an editorial point. Here we are writing a Report on all these Articles, and at the end of Paragraph 1 (d) we make a reference to an Article. I think it would be desirable, if we could, to make a reference to the paragraph of the section of the Report. That is to say, the Report should, as far as possible (it is not always possible) refer to the Report, and the Articles to the Articles.

THE CHAIRMAN: Is that possible in this case? Is this not the paragraph in the Report that deals with it?

MR. HELMORE (UK): No.

THE CHAIRMAN: Yes, I see - "See Paragraph so and so of the Report" - or paragraphs. Well, we can leave that to be filled in - "See Paragraphs x, y and z of the Report."

MR. HELMORE (UK): I think it would be preferable to do that.

THE CHAIRMAN: Yes.

MR. PHILLIPS (Australia): Another very small point on (b): "A group of territories which may have" should be "which have".

MR. HELMORE (UK): Yes. And there is a rather odd word in para. 1(c). I am not quite sure what is the significance of the word "now" - "should now have a closing date". I think it should be "should have".

THE RAPPORTEUR: Yes. I stumbled over that when I was reading it.

MR. HELMORE (UK): I think it is probably a reflection of an appalling argument that went on behind closed doors, and the Rapporteur was so pleased that agreement had now been reached!

THE CHAIRMAN: Then Paragraph 1(b), delete "may" in the first line; paragraph 1(c), delete "Member" in the third line and insert "country"; in the fourth line delete "now"; and in 1(d), the second last and last line, delete "See Article 19, 2(a)(i) and 2(d)" and insert "See Paragraphs so and so of this Report", the blanks there to be filled in by the Secretariat.

Anything else on that paragraph. I take it it is agreed.

Paragraph 2 read and agreed without comment.

Paragraph 3 read.

Is that agreed?

MR. BRONZ (US): There should be another "or" at the end of (b).

THE CHAIRMAN: Yes; semicolon and "or".

Paragraph 4 read and agreed without comment.

Paragraph 5 read.

Any comment?

MR. BRONZ (US): Yes, Mr. Chairman. Unfortunately we have to suggest a change in Paragraph 5 because we are going to suggest a change in the relevant section of the Article. The Article was agreed this morning, but since then one of the delegations not represented on this Sub-Committee has come to us and pointed out that we were apparently going to stop a practice which they follow, which would generally be conceded to be unobjectionable; that that country generally prohibits the acceptance of its own currency for exports in order to prevent the use of black market currency of its own in buying those exports, and the three countries that constituted the Sub-Committee which brought in this Article 22 this morning have agreed on a rewording of Section 1(c) which would meet this difficulty, and we would like to propose that rewording and an appropriate change in the Report to cover that rewording.

THE CHAIRMAN: Let us look back at Draft Article 22, 1(c), and if we can fix it in the draft Article then we can make the appropriate change in the Report.

MR. BRONZ (US): On page 6 of this document (c) would read:-

"(c) conditions attaching to exports which are necessary to ensure that an exporting country receives its own currency or any foreign currency of a Member of the International Monetary Fund specified by the exporting country."

THE CHAIRMAN: And then continue on; and it might be worth while shifting "for its exports" and putting it after "receives" - "which are necessary to ensure that an exporting country receives for its exports its own currency or any foreign currency of a Member of the International Monetary Fund specified by the exporting country".

MR. LUTHRINGER (IMF): I wonder if it would not be better to delete the word "foreign"?

THE CHAIRMAN: Yes - "or any currency". I think that is a useful suggestion. Shall I read the clause as it now stands?

"conditions attaching to exports which are necessary to ensure that an exporting country receives for its exports its own currency or the currency of any Member of the International Monetary Fund specified by the exporting country." That would enable Australia to ask for sterling, which is its customary practice.

Is that acceptable?

As regards the corresponding change required in Paragraph 5 of the Report, are you going to suggest a wording for that?

MR. CLARKE (UK): I should have thought we might have precisely the same wording.

MR. BRONZ (US): Yes.

THE CHAIRMAN: Yes. Is that change in Paragraph 5 agreed? (Agreed).

Paragraph 6 read.

MR. CLARKE (UK): I think in the second leg of this paragraph, where it begins "On the other hand, it was agreed", I think the original draft was "argued", not "agreed". I do not know whether that is within the recollection of the Rapporteur.

THE RAPPORTEUR: I think it should be "argued".

MR. HELMORE (UK): Especially as it says later "and it was further argued".

MR. BRONZ (US): Yes, and the previous sentence says "It was argued".

THE CHAIRMAN: Is that accepted? Any other change in Paragraph 6?

MR. BARADUC (France): Line 6, Mr. Chairman - "which would effectively prevent".

THE CHAIRMAN: Yes. Is that agreed? Any other change in Para. 6? Taken as agreed.

Paragraph 7 read.

We should alter "(See Article 23)" to "(See Paragraph 23)".

Anything else on this paragraph?

MR. CLARKE (UK): Just one point on the first line of (a) - "that the discrimination should increase the Member's imports" - I suggest should be "total imports".

THE CHAIRMAN: Yes. Anything else on Paragraph 7?

Paragraph 8 read.

Any comment?

MR. BRONZ (US): I think it would be more accurate to take the parentheses and move them a few words forward, to come in after the word "provision" at the top of page 5. You see, the trade restrictions are applied under this provision, so that it would read "in any trade restrictions provided under this provision (or exchange restrictions have equivalent effect)".

THE CHAIRMAN: Yes. Anything else on Paragraph 8? I take it Paragraph 8 is agreed.

Paragraph 9 read.

It should be, in the first line, "A main objective", not "objection".

Some modification of the first sentence may be necessary in view of the change in the relevant section of the Article.

MR. BRONZ (US): And in the last sentence the same.

THE CHAIRMAN: "elimination of discriminations provided for in this Article".

MR. CLARKE (UK): Is this not the way to put it: "It is therefore generally agreed that the provisions of sub-paragraphs 1 (d) (iii) and (iv) of this Article should be reviewed" ?

THE CHAIRMAN: Yes, and then the first sentence could stand.

MR. CLARKE (UK): Yes.

THE CHAIRMAN: I suppose that is right, is it? After all, some discriminations will remain, will they not? You see, this Article itself provides for certain discriminations which will be permanently possible, and it seems to me that the same objection which we raised previously can be raised to the first sentence of Paragraph 9.

MR. BRONZ (US): Well, the first sentence is limited to all discriminations which restrict the expansion of world trade.

MR. CLARKE (UK): We are stating there an objective of the Organization, in the first sentence. That does cover all discriminations of all kinds, does it not?

MR. HELMORE (UK): I think it is correct as a statement of fact, Mr. Chairman.

THE CHAIRMAN: In that case we will let it stand. Any further comments on Paragraph 9? I take it paragraph 9 is agreed as amended. That completes Article 22. Anything else on Article 22?

MR. CLARKE (UK): There is a consequential change in the Report on Article 22 referring to the Australian clause - the paragraph in the Draft Article which we deleted this morning and agreed should be referred to in the Report.

THE CHAIRMAN: The suggested draft reads as follows:-

"It was suggested to the Sub-Committee that if there were

an abrupt or serious decline in effective demand by one or more Members the imposition of non-discriminatory import restrictions under Article 20 by other Members might in some cases be more injurious to world trade than discriminatory restrictions, and that provision should be made in this Article for permitting such discriminations if the Organization considered this general situation existed and warranted their application. After consideration it was agreed the Organization would have adequate powers under the revised Article 30 to meet this contingency."

Only one change, it seems to me, would be desirable to be made in this, and that would be, to refer also to the paragraph in the Section dealing with employment. There is a paragraph - I have forgotten the precise wording - which says that in the event of this situation, the decline in effective demand, the Organization shall use this powers, so I suggest -

"After consideration it was agreed that the Organization would have adequate powers under the revised Article 30, taking into account (so and so out of the Employment Section) to meet this contingency", or "It was agreed that taking into account the provision in the Employment Section (to which we refer) the Organization would have adequate powers under the revised Article 30."

MR. HELMORE (UK): Yes, I think that is right.

MR. PHILLIPS (Australia): Yes.

THE CHAIRMAN: Then that is agreed. That would be paragraph 10.

THE RAPPORTEUR: That would be 9, I would suggest, and our present 9 would become 10.

THE CHAIRMAN: Very well. Anything else on Article 22? I think that completes our work, with the exception of 19. I think we undertook to advise the Brazilian delegate and the Chinese delegate when Article 19 was reached.

MR. VIDELA (Chile): Before we call our friend the Brazilian delegate I have a small point here, with your permission, Mr. Chairman. I suggested at the main Committee and it was agreed that I should present here the point of view of the Chilean Delegation. I think it is more connected with Article 21. Yesterday morning at the meeting of the Procedure sub-Committee they approved a general recommendation on the avoidance of new tariff measures, and I called to the attention of the Sub-Committee that a sort of truce or recommendation of truce should apply to all the Charter. I meant by that, apply to tariffs as well as preferences or quotas, and I said that there were quantitative restrictions, and that if they were to limit a sort of truce or recommendation of truce only to tariffs we may be unbalanced, and may be handicapped by this recommendation. They then referred this suggestion to the main Committee, and yesterday the main Committee approved that I should raise this point here. I think under Art. 21 we could recommend a point similar to that recommended yesterday at the Procedure Committee on tariffs, in relation to quotas.

THE CHAIRMAN: As I understand, the Chilean delegate's point is that since it is recommended that countries should undertake not to impose new tariffs between now and the completion of the negotiations on tariffs next year and the finalisation of the Charter, it would be appropriate to parallel that recommendation with a recommendation that they impose no new quantitative restrictions during the same period. I am not quite sure whether it would be appropriate to include such a provision in any of the draft Articles. Speaking off hand at this stage, it would appear to me perhaps better to deal with that, if it is to be dealt with, by a recommendation or resolution rather than by providing for it in the Charter; but that is merely a question of the form of dealing with such proposition. The question before the meeting is whether it is desirable at this stage to put forward such a proposal.

Mr HELMORE (UK): Mr Chairman, before you put this question formally for discussion, I wonder if you would repeat the appropriate words in the latest draft of the procedural memorandum. I was not quite sure of their import.

THE CHAIRMAN: The part of the report is: "It is important that members do not effect new tariff measures prior to the negotiations so as to prejudice the success of the negotiations in achieving progress towards the objectives set out in Article 18" - Article 18 being the Article which deals with the substantial reduction of tariffs, &c.

Mr VIDELA (Chile): Mr Chairman, I may add that at that moment I said: "I entirely agree and back the suggestion of the Australian delegation that this paragraph should go to the General Committee on the Charter. I do not know whether it should be Committee V, but we shall see later"; and, as the provision was approved yesterday at the particular Procedures Committee, I said that I will leave my reservation subject to this, that if the Quantitative Restrictions Subcommittee is making a similar recommendation on quotas, I will accept this paragraph in that section; otherwise, I will maintain the reservation on the Procedures Committee. But my idea was not to make that recommendation on tariffs and leave that for a general rule applying to the whole of the Charter.

Mr HELMORE (UK): Mr Chairman, I feel insome difficulty in dealing with this, since I was not present at the Procedures Committee, and therefore have not the benefit of having heard precisely the discussion. If I may venture to criticise the Procedures Committee, since luckily there is no one here from it —

Mr VIDELA (Chile): I am from the Procedures Committee.

Mr HELMORE (UK): At least, I have the majority of the Committee with me in being somewhat ignorant of their proceedings. This memorandum is a memorandum about giving effect to the principles of the Charter by some negotiations which are due to take place quite soon. There is nothing about that in this report on quantitative restrictions, and I should have thought this is really more a matter for the main Committee II to decide. We are losing some of the effect of this general exhortation to behave well between now and next Summer if we split it up into two. I see why the Procedures Committee was so dealing with it — because they said: We do not know anything about anything except tariffs. But luckily Committee II do know something about it, and I would be prepared to move to meet this point by inserting in that memorandum when we take it in the full Committee tomorrow the words: "or other" after "tariff measures".

Mr VIDELA (Chile): At the Procedures Committee they could not discuss this matter because they thought that it was under the quantitative restrictions Subcommittee here.

THE CHAIRMAN: If I may explain what happened: the Chilean delegate raised the matter at the Procedures Committee, which very properly said that since the matter with which the Chilean delegate was concerned was an expansion of this principle of quantitative restrictions, it was not within their scope to deal with it. The Chilean delegate then raised it at the general meeting of Committee II again in terms directed to quantitative restrictions. I suggested to him there that he might raise it here now in order to enable him to state his point to the Subcommittee dealing with the subject matter. Now if it is the view here that the proper thing to do with this is to deal with it not as a thing affecting quantitative restrictions but as a general request to governments to restrain from further restrictive

practices likely to prejudice the success of our negotiations, then that might be dealt with in full Committee II as applying generally.

Mr VIDELA (Chile): I quite agree with that procedure, Mr Chairman.

THE CHAIRMAN: Will that be acceptable: we suggest to Mr Videla that he should submit to the general Committee an amendment to the procedural document or a general resolution covering this.

Mr VIDELA (Chile): I understand that the main Committee will not refer this to the Quantitative Restrictions Subcommittee again?

THE CHAIRMAN: You may rest assured. I am Chairman of both and I will not have it twice.

Mr HELMORE (UK): Will that amendment suit - just insert the words "or other"?

Mr VIDELA: I said "new tariff measures and restrictions" or "other restrictions". I used the word "restrictions".

Mr BRONZ (USA) Mr Chairman, you suggested in the alternative either an amendment to the Procedures Committee Report or a separate resolution. I think it will be necessary to deal with it in a separate resolution, because the report of the Procedures Committee refers to truce until the Spring when tariffs will be negotiated; but quantitative restrictions will not be dealt with in the Spring, and they will have to remain until the Charter comes into effect. So that you might want a general resolution of a trade truce until the Charter is adopted, which would be broader in scope than an amendment of the report of the Procedures Subcommittee.

THE CHAIRMAN: That is my own feeling.

Mr HELMORE: Then I think it is unfair that I should not say at once that to bring in a general resolution for a genuine truce or something like it on Thursday, 21st November, when we are going to adjourn until Monday, the 25th November, is not a very practical way of dealing with the point.

Mr VIDELA (Chile): Why not take a resolution as to whether we accept the general principle or not, because then I sustain my reservation on the other Subcommittee.

THE CHAIRMAN: I think all we can decide here is as to whether we wish to make a recommendation relating to quantitative restrictions

In this form; that is all we can do here.

Mr LOKANATHAN (India): Mr Chairman, I feel that the subject matter raised by the delegate for Chile is rather more appropriately considered by the Heads of Delegations than by us, because it is really a recommendation for each individual country to refrain from doing certain things in the period intervening between now and the time when tariff negotiations are going to take place. So that it would seem that there should be a much more limited reference.

THE CHAIRMAN: As Chairman I am reluctant to see the delegate for Chile pushed around any longer, so to speak. He has now been moved from two Committees to this one, and I think it is time we did make it quite clear to him where he can have his point, which is a very real point, dealt with. That is quite a separate point from the one which Mr Helmore has raised, which is, quite frankly, one which has worried me from the outset when I first heard of this yesterday: that this is a very important principle to raise at this stage. However valuable it may be, it does present the delegations with a very real difficulty. I would suggest for your consideration that you approve my giving Mr Videla an undertaking that we will accept from him in Committee II any proposal which he wishes to put forward on this matter, whether he wishes to limit it to quantitative restrictions, or whether he wishes to make it general, applying to all forms of restrictive practices other than tariffs, which is already covered. Delegations at that meeting may wish to express the view, that, having regard to the lateness of the time at which this has come forward, they are not in a position to express favour or disfavour of the proposal, and it may have to stand as an individual recommendation by the Chilean delegation. If there are a number of delegations who are prepared to support it, it would appear in the report as a statement of their views, and would therefore receive the consideration of the governments concerned as soon as they are able to give it. Is that acceptable?

Mr VIDELA (Chile): I think your decision is very appropriate. I owe an explanation first to the Indian delegate. As I have just said, it was suggested that this matter should be sent to Committee V. I owe

another explanation to the United Kingdom delegate. I raised this point because it was only open to us I think yesterday or before yesterday when the memorandum of procedure was available. I think that from the start of the Conference that is one of the most important recommendations - a sort of truce; and the only thing I say is that this truce should cover the whole Charter in every way - not only in regard to preferences or tariffs, but in regard to any sort of individual measures a country may take; because it is a most fair recommendation to state that everybody should stop and not try to take unfair measures in that direction.

THE CHAIRMAN: I think that is quite clear: if you feel that the action taken in relation to a general proposition is unsatisfactory, you would obviously wish to reserve your attitude on this particular reference to tariffs.

Mr HELMORE (UK): I was not criticising the Chilean delegate. I was criticising another delegate rather nearer to me for raising such a wide issue at this point.

THE CHAIRMAN: Now we pass on.

M. BARADUC (France) (Interpretation): Mr Chairman, I apologize for raising this particular point. I should like to deal with French translation. At the last meeting I had asked to see the draft French translation both of the Report and the Articles. This has been done, and now I realise very well how difficult was the task of translating those documents; but I thought it would be sufficient merely to review this translation, whereas it is obvious that it has to be done again. We have not the time necessary to make these translations again, and therefore we should ask that the Secretariat be entrusted with the task of correcting the translation of the Report. There are some very serious mistakes, and I think this could be done. As for the Articles, the question is much more serious, and we shall endeavor in the course of this evening or tomorrow to submit to you a proper translation of Articles 19, 20, 21, 22 and 23.

THE CHAIRMAN: Thank you. May I suggest that the general question of the French text not only of this part of the Charter but of the whole Charter is obviously a matter of very great importance, since the

two texts are of equal standing, and that we should raise that matter not here but with the Heads of Delegations, so that we can make some satisfactory arrangements for adequate preparation of the texts and for the checking of any translation which may be involved. Will that be agreeable to you?

M. BARADUC (France) (Interpretation): Yes.

THE CHAIRMAN: I will see it is raised at the meeting of Heads of Delegations. Can we deal now with Article 19. I think the Chinese delegate is not here. I suggest, therefore, that we might leave his point for him to raise in general Committee and make a reservation if he wishes to. Is the delegate for the Netherlands here?

Mr VAN KLEFFENS (Netherlands): Yes.

THE CHAIRMAN: I suggest we take the point submitted by the Netherlands delegate as noted by the Rapporteur on page 7 of the draft Articles.

Mr VAN KLEFFENS (Netherlands): Mr Chairman, the Rapporteur has made a note of the proposal to insert the words "for instance" in Article 19, 2 (e) (ii) after the words "to remove a temporary surplus of the like domestic product", because those temporary surpluses may be in some cases of such an importance that it would not be practicable to deal with them in this way if this should be taken in a limitative sense. So the purpose of this is in English to widen the essential meaning of the clause to deal with temporary surpluses.

THE CHAIRMAN: If I can recall the discussion on this question, I think the Subcommittee did give the matter some consideration, and I think the general feeling was that it was desirable that the exception embodied in Article 19 2 (e) (ii) should be limited to clearly defined instances, and that it would be possibly opening the door rather more widely than the Subcommittee thought wise to express it in a way which merely recorded the removal of a temporary surplus as an illustration. However, I would like delegates to express their views on this suggestion by the Netherlands, as it will be necessary for that delegation to decide what attitude they are to take on this question if that change is made.

Mr HELMORE (UK): Mr Chairman, if we inserted the words "for instance" in the place suggested, the operative part of this sub-paragraph would permit the use of quantitative restrictions on any agricultural product imported in any form if they were necessary to the enforcement of governmental measures which operated to remove a temporary surplus of the like domestic product. The following words would have effect, since they would be purely illustrative, and according to my reading of the Article with the amendment, it would give an undesirable measure of freedom to countries which were unfortunately in the position of having a temporary surplus to limit imports of agricultural products.

THE CHAIRMAN: Do any other delegations wish to comment on this proposal?

M. CALVET (France) (Interpretation): We accept the proposal of our Netherlands colleague. I have no other proposal to make.

THE CHAIRMAN: Any other comments?

Mr PHILLIPS (Australia): The Australian delegation would agree with the United Kingdom delegation, I think, that this opens the door very widely and we would not favour opening it so far as that.

Mr BRONZ (USA): Mr Chairman, the United States delegation would agree with the United Kingdom delegation on this point. It has been the position taken by the United States delegation throughout on this clause, that the purpose of the clause is to require that the impact of surpluses of these products should be equitably shared between domestic production and imports, and I fear that the language suggested by the Netherlands delegation would open the way for devices which would put an undue burden on the imported product as opposed to the domestic quantities of the product.

Mr LOKANATHAN (India): Mr Chairman, we should agree with the Netherlands delegation's amendment.

THE CHAIRMAN: Any further comment — the Brazilian delegate?

Mr. KAFKA (Brazil): I have no definite opinion on this.

Mr. CALVET (France) (Interpretation): Mr Chairman, I should like to make it clear that we do not ask for this addition, but we have no objection to this addition.

THE CHAIRMAN: Would the delegate for the Netherlands like to reply to the comments made?

Mr. VAN KLEFFENS (Netherlands): Mr Chairman, I would like to make it quite clear that we have no wish to cause any undue opening of doors; but there are some openings which are due and which are not covered entirely by this limitative clause. So if the point could be met by some other wording, we would be quite open to consider it.

Mr HELMORE (UK): Mr Chairman, as I have led the opposition, may I say I cannot think of any words at the moment which would meet the point made by the Netherlands. At the moment with his amendment the clause says that these restrictions would only be conditioned by two things. One is a relativity between the reduction in imports and a reduction in home production, and the freedom given would be to put on imports restrictions necessary to remove a temporary surplus of the like domestic product. I find it difficult to see how this might not be extremely restrictive.

THE CHAIRMAN: In the circumstances I think it is somewhat late to seek a resolution of this difficulty by a search for appropriate words. I suggest that we record in our report in relation to this particular section that some delegations considered that other circumstances might justify the action proposed here, and that this point might be met by the insertion of the words "for instance". That would make clear the position of the Netherlands delegate, the Indian delegate, and so on, and would ensure that the thing was further considered later when the precise scope of this change could be examined in detail. Would that meet the delegate's point; is that agreeable?

Mr. VAN KLEFFENS (Netherlands): Yes.

THE CHAIRMAN: Thank you.

THE RAPPORTEUR: May I insert a paragraph of that type in the report?

THE CHAIRMAN: Yes, in the report.

THE RAPPORTEUR: Without coming back here?

THE CHAIRMAN: Without coming back here. We will have an opportunity in full Committee just to check the words and see that it accurately represents the view of the meeting. Is that agreeable? Thank you. Is there anything else on paragraph 19? I think we did have

something from the Brazilian delegate on this. Mr. Kafka, did you want to raise a point on this?

Mr KAFKA (Brazil): No, Sir; I think my point is adequately met by the draft.

THE CHAIRMAN: Thank you.

Mr VIDELA (Chile): I have found here a reference to my reservation with regard to Article 19 (c) 2, and I would like the Subcommittee to allow me to explain a little more my position. On page 3, paragraph 6; it says: "There was wide agreement for the view that a clause on these lines was desirable; but one Delegation proposed that the exception should not be confined to agricultural and fisheries products". I should add there: -"in order to give similar protection to agricultural or <sup>under-</sup>developed countries". It is only to give an explanation of my reservation.

THE CHAIRMAN: I think that is clear. The delegate for Chile, who is responsible for this reservation, suggests that his point of view would be more adequately expressed if the latter part of this sentence read: -"but one Delegation proposed that the exception should not be confined to agricultural and fisheries products, in order to give similar protection to agricultural or under-developed countries". The Rapporteur will look at that. It seems to me that the delegate making a reservation has the right to have it expressed in the way in which he wishes it, and I would suggest to the Committee, therefore, that we accept the wording proposed by Mr Videla.

The precise wording is that after "products" in line 9 of paragraph 6 insert the words "in order to give similar protection to agricultural or undeveloped countries".

MR VIDELA (Chile): Is that clear?

THE CHAIRMAN: I think so. Is that agreed? Anything else on Article 19?

MR LOKNATHAN (India): Mr Chairman, I must first of all ask your indulgence to raise this point. We were held up at the Joint Committee on the day this meeting was held and it was not possible to give previous intimation to another member of our Delegation to be here otherwise I would have raised it earlier. It is a general reservation which I should like to make. We have considered the matter of Article 19 in the light of what was decided at the Joint Committee in regard to economic development and we now feel that it may be desirable for us to make a reservation in regard to the question of quantitative restrictions as another exception to be provided for in Article 19. I do not know whether I should make a formal amendment to that, but I would like to say this, that we give notice that we would like to consider that at some stage and on behalf of the Indian Delegation I should like to read this:-

"The Indian Delegation reserves their right to add a new Sub-Section to Article 19 (2) to include another exception in the following terms: 'import restrictions for the purpose of economic development as a protective measure, provided that they are less restricted in their effects than other forms of protection and provided they are in conformity with the criteria laid down for the purpose by the organisation'."

THE CHAIRMAN: May I suggest "propose" rather than "add" and "additional" rather than "new".

MR LOKNATHAN (India): Yes.

THE CHAIRMAN: Is there any comment on this?

MR HELMORE (UK): Yes, Mr Chairman. I take it when this appears in the Report it will in accordance with the general rule begin "One Delegation" and not "The Indian Delegation"?

THE CHAIRMAN: Yes.

MR HELMORE (UK): I think as Mr Loknathan has been kind enough to give notice of

what he is going to say tomorrow I would like to give notice of what my reply would be. It would be to ask that words should appear after that to say that another Delegation considered that the point was sufficiently met in the draft Chapter relating to industrial development, but if the suggested provision were to be included they would wish to reconsider their attitude to that chapter.

MR BRONZ (US): The United States would like to propose an amendment to the UK statement to say "other Delegations".

MR LOKANATHAN (India): I have nothing to say about that. I am perfectly willing for them to reconsider their relation to these other things, but that is a thing which every delegation can say in respect of anything else.

THE CHAIRMAN: Does anybody else want to comment on this? I take it the suggestion is that the Indian Delegate does not wish to move now that this should be incorporated in this record?

MR LOKANATHAN (India): No, for various reasons, one of the most important being that we are nearly at the end of our time and I do not want to waste our time here, but our object is to indicate the amount of importance we attach to this question, that is all, and we may have to come back to it at some future time.

THE CHAIRMAN: I want to get this clear. We could add this, together with the addition which the United Kingdom Delegate has suggested, to our Report on this question now. That would mean it would come forward to Committee 2 as part of our Report. Alternatively, if we did not do that, it would mean that the Indian Delegation would presumably submit it at Committee 2. On the whole, I think it would be preferable to do it here. That is, if you are going to do it. If there is any doubt as to whether you are going to put it in let us leave it to the next meeting.

MR LOKANATHAN (India): I am open to any suggestion you make, Mr Chairman. If you want the reasons why we consider this to be important we can explain them.

THE CHAIRMAN: I think it is quite clear why you consider it important. I am looking at it purely formally. We have the Report here in front of us at the present time and it will from us go to full Committee 2. The question is whether it goes including this proposed reservation of yours or whether it does not. If we do not include it here then you have to decide between now and the meeting of Committee 2 whether you are going to put it forward there.

and, as I say, if there is any doubt about it, if you are uncertain yourselves, I would say let us leave it out now. On the other hand, if you do quite definitely propose to make this reservation then I would suggest we include it here.

MR LOKANATHAN (India): I think it is better to include it here and not waste time there.

THE CHAIRMAN: I take it since that is to be included the United Kingdom Delegate would want the additional sentence and that the United States Delegate would associate himself with that.

MR VIDELA (Chile): I do not think it should do any harm.

THE CHAIRMAN: If I add my reservation to the reservation of the Indian Delegation in order to make a balance, and say "other Delegations".

MR HELMORE (UK): May we suggest that both go in the plural; that instead of "one Delegation" as I suggested, both sentences should begin "some Delegations".

THE CHAIRMAN: Just one point. I think looking at this formally, the addition of your last sentence is a statement of a right which every Delegation possesses. Obviously, if a change or an addition is made to a draft which they have generally accepted, they would be free to reopen the whole question of their previous agreement. Is it necessary to state that? If that were omitted you would be saying in effect "some delegations consider this necessary; other delegations believe that the point is adequately met in the chapter relating to industrial development". That is a statement of fact. If we add the statement that some delegations would want to review their attitude towards that chapter if this were inserted, that also may be true, but it is true whether it is stated or not. The point I am making is, if that is omitted probably we would not have to state the third position. There may be some people who agree with your first sentence who perhaps would not necessarily want to state categorically that they would want to review their attitude towards the industrial development chapter, and it might be necessary to add another sentence which would say "other delegations, while considering that the point was adequately met in the draft chapter relating to industrial development, were not sure whether its inclusion would involve a review".

MR HELMORE (UK): No, Mr Chairman. There is a much easier way of drafting it than that. That is, that my second sentence begins "other delegations" and the

third sentence begins "some of the latter", but I have not heard anybody yet say that he would not want to reconsider his attitude to the industrial development chapter.

MR LOKNATHAN (India): You have said a very wise thing, Mr Chairman. It is not for my sake I want Mr Holmore to withdraw his last sentence. I think from the point of view of the general success of the objects of this Conference I would say that and not for the sake of the Indian Delegation or any other delegation, the reason being that if there is a sort of -- I do not say you are doing it, but if there is a sort of implied threat that supposing I put this in you would withdraw all you have done with regard to the Committee's work, we on behalf of India are quite willing to take back everything with regard to the Committee's work, so that would not be any help at all. I think we should support the wise words of the Chairman and should not have that implication.

THE CHAIRMAN: I think you are putting rather more into the words of the Chairman than he intended. I was, I hope, concerned solely with a mechanical problem here. Perhaps we should leave a settlement of that until we hear all the views of the Committee. Does any other Delegation wish to express a view on this?

MR DEUTSCH (Canada): I should like to say we would associate ourselves with the position taken by the United Kingdom.

MR PHILLIPS (Australia): I think we would agree rather with the first alternative, that we are inclined to think that is covered in the work of the joint body, but if it is not we think it ought to be covered.

MR KAFKA (Brazil): I would associate myself with the Declaration of the Australian Delegate.

THE CHAIRMAN: I think in the circumstances the correct method of dealing with this is to say "some delegations reserved their right to propose an additional sub-section" etc., "other delegations considered that this point was sufficiently met in the draft Charter relating to industrial development. Some of the latter considered that if the suggested additional exception were to be included in this section they would wish to reconsider their attitude to the Chapter on industrial development". I think that is a correct statement of the views which have been expressed.

MR HEMHORE (UK): And we have a chance of looking at all these words tomorrow.

THE CHAIRMAN: That is right. Is that agreed, that we record the positions in that way?

MR LOKANATHAN: Yes.

THE CHAIRMAN: Is there anything else on Chapter 19?

MR PHILLIPS (Australia): Just one point. We have some doubt about paragraph 2(a)(ii) and whether the present wording will adequately cover the point in connection with price control. At the same time, we have not been able to think of adequate words instead. I merely want to say that we make the reservation that we are not satisfied that these words are satisfactory and we may wish to come back to this.

THE CHAIRMAN: It would be a verbal change?

MR PHILLIPS (Australia): Yes. It is the words "war time price control" and "undergoing shortages subsequent to the war". I am not quite sure whether those two things do cover the position. It is possible that in conjunction with paragraph (b) of that same section they may, but I am not quite satisfied about it. I merely want to give notice that we might come back to that point. I do not suggest you record anything.

MR VAN KLEFFENS (Netherlands): Mr Chairman, not having assisted at all your deliberations I am afraid I have temporary surplus of remarks to make. There are a few expressions which are not altogether clear to me. In some cases it is said "the like domestic product", but there are some classes of goods which are interchangeable. These you do not produce yourself may be imported and have a very direct bearing on things you do produce and if this expression of "like domestic product" is to be taken quite in its strictest sense then it might cause great difficulties. I would like to draw the attention of the Committee to this point. I do not know whether it is necessary to do something about it.

There is another point on which I am feeling rather uncertain. That is in paragraph (e) beginning at the words "moreover, any restrictions imposed under (i) of this sub-paragraph". If I read it correctly countries have to restrict the quantities of like domestic products and there should be relation kept with previous representative periods and with something of the future, which is impossible. I think that is contradictory. If you have to

restrict to keep a certain relation you cannot make the relation to bear on the circumstances which would prevail if there was no restriction; so how you are to put this into practice is not very clear to me.

THE CHAIRMAN: I think neither of the points are matters of substance. I think the use of the phrase "like product" has by this time a fairly well established traditional meaning in this sort of context - at least, I have been informed so - and while I think we all recognise the logical difficulties to which the Delegate from the Netherlands has drawn attention, I think we do have to rely upon the practice of the past in the use of a phrase of that sort.

In regard to the second point, I think what was intended was not so much that you should apply two conflicting bases for the assessment of this relationship between imports and home production, but that while you would base your proportion primarily upon what happens in the past, you would be authorised, you would be permitted to vary that proportion if in the past and up to the time when you proposed the restriction there had been things happening which were tending to alter that proportion. For instance, if there was in progress technical change which brought about a difference in the relative costs of imports and home production of a kind which tended to increase the proportion of one or the other, you would be permitted to depart from the average of the pre-restricted years by allowing a greater proportion of home production or imports according to the general trend in that period. I think that is the sort of thing that is intended; that you should not be bound to the purely mechanical application of proportions which existed in the past, but you would be allowed varying proportions, not in the light of things which you thought might happen in the future, but of trends which did in fact exist in the past.

Does that meet your point?

MR VAN KLEFFENS (Netherlands): Yes, I think that is clear, but the wording is not very clear.

MR VIDELA (Chile): As regards this understanding of "like products" I do not know whether it was here or at the procedure committee or the main committee, but someone described "like product" as "identical product". I would like to have that definition on record.

THE CHAIRMAN: We will check that. Is there anything else on Article 19?

Mr BARUDUC (France)(Interpretation): Mr Chairman, I wonder whether we could not meet the point of the Netherlands representative by deleting all reference to <sup>a</sup>previous period. In the 6th line from the bottom of page 22 I think we should only say "in determining this proportion the member shall pay due regard to any special factor which may exist" and drop all reference to a previous period.

THE CHAIRMAN: If I may say so, I think it is somewhat late for us to consider a change of that sort, which is I think a fairly radical one, and I would suggest to the French Delegate and the Delegate from the Netherlands, that if they felt that that would be an improvement they might record their view so that it could be taken into account at our second session. It does raise a quite important principle, in that the Committee has agreed that some period in the past, unspecified, provides the best working basis, although you do have to take account of other things which are happening. If we have to cut out the reference to the past period I think it would be a very radical change in the views which the Committee had previously expressed.

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Mr VAN KLEFFENS (Netherlands): What was worrying me was not the previous period, but what might reasonably be expected to rule in the absence of restrictions. That is the point because if you have to take into account what happens when you do not apply any restrictions, it is impossible to apply restrictions.

THE CHAIRMAN: I agree it is difficult, but there are some things that it is possible to know. There is the example I gave of changing costs. If home production costs were falling very rapidly it would be reasonable to argue, that quite apart from the restrictions, that would have the effect of increasing the proportion of the market taken by the local product and on that basis you could justify to other countries concerned the reservation of <sup>a</sup>larger proportion of the market to the local product, I think it would be unreasonable not to allow a country to take such factors into account.

However, I suggest to the French and to the Netherlands Delegates that if they wish to take up this point they should ask for a note to be taken of their views on it so that it can be given further consideration.

Mr VAN KLEFFENS (Netherlands): I will not press this point, Mr Chairman.

THE CHAIRMAN: Thank you. Anything further on Article 19? Can I take it that Article 19 is approved? And the Report thereon?

We can then refer the whole of this Report, together with the Draft Articles, to the full Committee 2; and I think, with due modesty, that we are entitled to considerable credit.

MEMBERS (UK): May I say that no small part of it is due to yourself, Mr. Chairman.

THE CHAIRMAN: Thank you. The meeting is declared closed.

(The Meeting closed at 4.45 p.m.)