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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

VERBATIM REPORT

FIFTEENTH MEETING OF COMMISSION A
HELD ON FRIDAY, 20 JUNE 1947 AT 2.30 P.M.

M. MAX SUETENS (Chairman) (Belgium)

Delegates wishing to make corrections in their speeches should address their communications to the Documents Clearance Office, Room 220 (Tel. 2247).

CHAIRMAN (Interpretation): Gentlemen, the meeting is called to order.

I hope that today we will be in a position to have a combined amendment presented by the Czechoslovakian and United States delegations, amendments concerning Article 31. The draft, however, is not quite completed yet and therefore we shall resume our discussion at the point we left it yesterday. Yesterday, we finished the discussion on paragraph 1 of Article 31. Today, we shall begin the discussion on paragraph 2 of the same Article.

MR. J.A. MUÑOZ (Chile): Mr. Chairman, with your permission, before passing on to paragraph 2 of this Article, we would like to refer briefly to a point raised yesterday by Mr. Shackle as regards the words which have been introduced at the end of sub-paragraph (b), namely "through public offers or bids or otherwise, shall afford the enterprises of all Members" etc. Replying to Mr. Shackle, the United States delegate explained that they did not provide that "public offers or bids" was to represent the only means whereby a Member might comply with this general provision and that the words 'or otherwise' were to take care of the quite obvious fact that business enterprises do not always do their business on the basis of public offers or bids.

We ourselves had not raised this point because we interpreted the words "or otherwise" to mean that any enterprise, whether state-trading or not, if it sells or buys products on commercial considerations, within the meaning of this term, cannot be obliged to carry out its business transactions only through "public offers or bids".

One simple example will illustrate our views, Supposing an enterprise sells its products in the world markets, if such sales

are bona fide in open competition with other producers, there is absolutely no necessity that such offer should be made public or that such enterprise should afford the enterprises of all Members full opportunity to compete for participation in such sales.

The explanation given yesterday by Mr. Evans seems to confirm our interpretation of this phrase, but we would like, Mr. Chairman, to leave on record our views in this respect.

CHAIRMAN (Interpretation): Under those circumstances, Gentlemen, we can pass on to the consideration of paragraph 2.

I see that in the text of the Drafting Committee there are words against which objections were raised by three Delegations.

The words are "for use in the production of goods for sale". The Delegations of Chile, New Zealand and Czechoslovakia formulated reservations against this sentence. The U.S. Delegations maintained this text, but presented an amendment which bears on points of drafting but not on points of substance.

The Delegate who wants to take the floor on this subject.

Mr. MUNOZ (Chile): Mr. Chairman, we would have preferred to delete these words, as we did not see quite what was the object of them, but on second thoughts, and if the majority of the Delegations wish to have them included, we would not press our amendment.

CHAIRMAN: The Delegate of Belgium.

Mr. DESCLEE (Belgium) (Interpretation): Mr. Chairman, we would be in favour of retaining the words between brackets.

Since the influence of the State is possible, we believe that the provisions of paragraph 1 should not be limited to imports for re-sale purposes, but also be expanded to imports for production which finally also leads to re-sale.

CHAIRMAN: (Interpretation) Are there any more speakers on the subject?

Mr. BAYER (Czechoslovakia): Mr. Chairman, we have submitted here in Geneva a document W/187 covering the text which would be proposed for Article 31, and it can be seen from this text, in

paragraph 2, that we have changed some words of the text from our reservation made in New York; and I would therefore consider this text in this paper as the one we are proposing.

Thank you.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHICKLE (United Kingdom): On looking at the Czechoslovak Amendment, while retaining the words "for use in the production of goods for sale", it nevertheless deletes the words "for re-sale". I find that a little hard to understand, and should like to ask the Czechoslovak Delegate why he wishes to omit the words "for re-sale".

Mr. BAYER (Czechoslovakia): If I understand properly the question raised by the United Kingdom Delegate, the point is why we changed the word "re-sale" into "sale".

I would say that we had no specific reason for this and we would be able to accept "re-sale" as well.

CHAIRMAN: The Delegate of the United States.

Mr. John W. EVANS (United States): Mr. Chairman, I should like to support the feeling expressed by the Belgian Delegate that the words "or for use in the production of goods for re-sale" are very important, and we feel that they should be retained. We are not very proud of our own amendment to this paragraph, and, in fact, we think that the general approach of the Czechoslovak amendment is probably better, and if that amendment could be so corrected as to include both the thought of goods for re-sale and goods for use in the production of goods for sale, we should probably be quite happy with it, and at least be very glad to have it used as basis for work in the sub-Committee.

CHAIRMAN: The Delegate of New Zealand.

Mr. L.C. WEBB (New Zealand): Mr. Chairman, I wish to refer to the comment of the United States Delegation which appears at the top of page 5 of E/PC/T/W/198. The comment is "These changes are intended to express more simply and in fewer words the intent of the London draft. Except for the removal of the brackets from that draft, these changes do not affect the substance of the paragraph".

Now, Mr. Chairman, I was not involved in the New York drafting; but I have been informed that these words in brackets in paragraph 2 were, in fact, added in New York at the suggestion of the United States. They were not agreed to: they were in square brackets because the matter was not there fully dealt with. I understand also that, in fact, those words were not put in the London Draft. That is a point which

I would like the United States Delegate to clarify.

Our reservation was made because we find it extraordinarily hard to understand the precise implications of the terms "or for use in the production of goods for sale". Our own experience makes it difficult to understand those words. For instance, does it apply to the production say of hydro-electricity for sale, and we have in our own economy some rather complicated procedures which would be very difficult to interpret in the light of such a phrase. For example, take the case where the Government may purchase certain materials for the production of houses, and may dispose of that material to housing contractors who build houses for the State, those houses being rented. That sort of operation is extraordinarily difficult, I think, to bring within the compass of the phrase "or for use in the production of goods for sale". I have no doubt that some of these difficulties may be ironed out at the sub-Committee stage; but I just want to make clear why we have made the reservation.

CHAIRMAN: The Delegate of the United States.

Mr. John W. E. EVANS (United States): Mr. Chairman, I want to thank the New Zealand Delegate for calling my attention to what was an error in the comment to the United States proposed amendment. It should have read "These changes are intended to express more simply and in fewer the words the intent of the New York draft".

I think that there is no difference at all between the New Zealand Delegation and ourselves as to what we want to cover by the words "for use in the production of goods for sale". We have always understood, and I understand that it was generally agreed in London, that the words were not intended to cover the production of services, such as the production of electric power. ~~That does not completely answer the questions raised by the~~ New Zealand Delegate; but I feel sure that we can retain the intent of this wording and still take care of those difficult cases where it does not exactly fit by some work in the sub-Committee.

M. DESCLEE (Belgium) (Interpretation): Mr. Chairman, I believe there were some mistakes in the text drafted in London, and if we look at the comments made at the London Conference, we shall see that the only aim was to establish a distinction between government purchased goods for trade and government purchased goods for the use of the considered government. The text of the London Conference, Section E, subparagraph (c) reads: "A distinction was made as between governmental purchases for resale, which are covered by this paragraph, and purchases for governmental use and not for resale..." Therefore, I think we should revert to the idea expressed at the London Conference on this subject.

CHAIRMAN (Interpretation): I think we can pass on to paragraph 3. As regards paragraph 3, we have two alternative texts for (A) and (B). We have three proposals and only one suggests to amalgamate the alterations under (A) and (B) into one text. The proposals are respectively made by the representatives of Belgium, China and Chile, and there is a proposal by the delegate of Czechoslovakia to delete the two alternatives.

I will call upon the delegates that have made these proposals, commencing with the delegate for Belgium.

M. DESCLEE (Belgium) (Interpretation): Mr. Chairman, I would begin by making a short remark on the text itself. The English text does not indicate absolutely our intentions. The text which I am going to quote reflects exactly and accurately the intention of my delegation: "This Article shall apply when a Member government, directly or indirectly exercises effective control or management of enterprises, organs or agencies or of their trading operations only" We do not insist on the exact wording, but

but rather on the ideas to be clearly expressed, as we wish them to be. The debate which took place since yesterday, has shown that state trade shows differences as regards special rules on this matter, and the difficulty of establishing these special rules, and, even if it is practical to grant a special treatment to state trade, I think there will be a serious difficulty in applying the principles of the Charter to that case.

While the Charter is based on a competitive system, the very existence of a monopoly creates difficulty in the supervising of the international competition. For a State enterprise a second difficulty is added to the situation provided for in Chapter VI, in that the State has, directly or indirectly, a means of control.

The Delegate of New Zealand yesterday explained very brilliantly the interest of the use of such controls for a national economy, but their use by a Government shows that it is possible for it to engage a national economy in ways different from those provided for by the Charter, to give more emphasis to national interests. If these methods of control are legitimate and even - I do not want to stress it - perhaps advisable, I think that on the international plane we would not be able to know how a controlled economy will function in practice whenever a State, whether by legal measures or in fact, alters the competitive system by means of the special control, and we have then to establish a procedure in Article 31 or Article 32 in order to be able to cover all the operations related to the enterprises concerned.

For this purpose I think it will often be difficult for either the plaintiff or the Organization itself to prove that certain controls have altered the free competitive system and therefore we should not limit too much the field of application of Article 31. We should not limit it to one or other obvious cases but we should make the application of this Article in such a way as to cover all controls, whether they are the result of a legal text or whether they are merely in fact.

CHAIRMAN (Interpretation): The Delegate of France.

M. IGONET (France) (Interpretation): Mr. Chairman, it seems that the statement just made by the Delegate for Belgium indicates some confusion between the categories of enterprises mentioned in Articles 31 and 32 respectively.

In Paragraph 1 of Article 31 we see an exact definition by the fact that it is mentioned at the top of Page 28: "If any Member establishes or maintains a State enterprise ... or if any Member grants exclusive or special privileges", and these privileges can, of course, be granted not only to State enterprises but also to private enterprises.

To mention the case of France, we have a law which we call the Law of Programmes, which enables the Government to impose on some branches of industry or some enterprises a programme to manufacture a certain quality of goods, and this can be considered as a law placed upon the enterprise but also as a privilege, as it implies a specialization which constitutes a kind of privilege in and for the production of certain goods.

Therefore, if we applied Article 31 literally, it might be considered as applying to this case, but, in fact, this is in no way a monopoly; it is only an imposition of a Government programme, but that is done entirely to a private enterprise, which, nevertheless, remains absolutely private. Should such an enterprise be submitted to all the rules of Article 31? I should say "No", because, as I said before, it remains a private enterprise and is, to some extent, a victim of its Government, in that it is forced to execute a given programme.

I think we must not, in Article 31, think of the case of a monopoly, which is the object of Article 32, although a monopoly is a special case of a privileged enterprise. I think Article 31 has a much more general application and is different from that mentioned by the delegate for Belgium

M. DESCLEE (Belgium) (Interpretation): First of all, Mr. Chairman, my amendment and my statement only applied to Article 31.

Secondly, as to the example given by the delegate for France, I think if a Government imposes a certain manufacturing programme it may be a sort of discriminatory order, because they may specify the exact kind and nature of the material and goods to be obtained which enter into that manufacture. In that case it may be impossible for the enterprise concerned to purchase goods in a certain country. It would therefore be a discrimination which, however, will not result in difficulties for the enterprise but as it is a governmental Act it would come under the application of Article 15, section A of the Charter. If, on the other hand, this is done not by law but by control, and some discrimination is made without any commercial aid, then the enterprise would be penalised according to Article 31.

M.C.IGONET (France) (Interpretation): I understood that in his first statement the Belgian delegate insisted on the consequences of the monopoly. Therefore, I made my remarks because monopolies are dealt with in Article 32.

To revert to the example I gave a moment ago, it is a fact that if a Government by virtue of a general law imposes a programme, it implies naturally a specification of the material in kind, quality and quantity. This does not mean the enterprise is obliged to supply itself in a given country. It will be able to choose its source of supply. If, however, it is understood that Article 31 applies to that enterprise, the remark I made yesterday that the application to a State enterprise should be of the same nature as that for any private enterprise applies even more strongly. Therefore, the rule of non-discrimination mentioned in Article 31 should not necessarily apply to private enterprise. It would be better not to mention a rule of non-discrimination in

Article 31 and to confine ourselves to making a statement saying that enterprises receiving a special privilege should always be considered as private enterprises.

CHAIRMAN (Interpretation): I think we can pursue this debate in sub-committee, and will ask the other delegates who have amendments to propose to take the floor; they are the delegates of China, Chile and Czechoslovakia.

Dr. T.T. CHANG (China): It is not so much a matter of inclusion in the agenda as one of custom. We prefer alternative B to alternative A, because our understanding of the wording in alternative B is that privileges granted to enterprises may be withdrawn, and yet a Government will legally be able to exercise control.

In alternative B we propose an amendment to insert the word "member" before the word "Government."

M. J.A. MUNOZ (Chile): There is little that I can add, at this moment, to the comments which appear in Document W/192, which explains the reasons for requesting an addition to this sub-paragraph, whose object is to define to what enterprises Article 31 shall be applied. Our amendment is not a modification of substance, it is merely a clarification which we feel is necessary for ^{the} smooth working of the Charter.

I would, however, like to make a few additional remarks and, with your permission cite a concrete example in order to explain our position in regard to this Article.

As my fellow delegates will know, Chile is the only producer and exporter of Natural Nitrate of Soda. This is one of the principal industries of my country.

The sales of this product, by virtue of a very special Law of the Republic, are made exclusively through a Corporation, called Corporacion de Ventas de Salitre y Yodo de Chile, created by this Law. The Chilean Government has not subscribed any capital to it, but as it is a basic industry of the country, whose national economy largely depends on the degree of prosperity of that industry, the Government exercises over it a certain measure of control, which in no way is total or absolute. This Corporation also receives from the Government certain special privileges - not to export or produce - but in recognition of a percentage of its profits. The external sales of this Corporation are influenced solely by commercial considerations, as in order to place its product in the different world markets it must meet an acute competition from synthetic products, and thus it fixes its external sales prices according to the conditions of supply and demand in each market, in other words, in the same way that any private company would act. Can a Corporation, such as I have briefly described just now, be considered as a State Enterprise for the effects of Article 51? We feel that it is impossible to so consider it, when the Laws of its own country do not. However, by the present wording of paragraph 5, it could well be considered as a State Enterprise inasmuch as it does receive certain privileges from the Government, and the Government exercises a certain measure of control over it. It is for this reason that we are very interested in clarifying the exact meaning of this paragraph.

We interpret the words "effective control" as meaning a total and absolute control over the commercial activities of an enterprise, and that is why we have not made any comment on this expression. If this is not its true significance, we would very much like to see this point more fully discussed, either by this

Commission or by the sub-committee.

It could be argued that such a Corporation as I have just described has nothing to fear from the provisions of Article 31, if its external sales are guided by commercial considerations. But we do not think this is enough, and that it is necessary to find a more appropriate wording to paragraph 3, which will leave no doubt in anybody's mind as to what is, or what is not, a State Trading Enterprise.

To sum up, Mr. Chairman, our Delegation is of the opinion that a State Trading Enterprise should be considered as such only when a Member Government participates in more than 50% of its capital, and therefore is in a position to control its commercial activities absolutely.

If a Member Government does not participate with any capital in such enterprises, and does not exercise absolute control over it, even though it receive certain special or exclusive privileges as recognition of a participation in the profits of the said enterprise, then such an enterprise cannot be considered as a State Trading Enterprise.

CHAIRMAN (Interpretation): The delegate for Czechoslovakia.

H.E. Z. AUGENTHALER (Czechoslovakia): Mr. Chairman, I am afraid we are not so lucky about definitions. When we were studying this Article, we had the feeling that the definition of State Enterprise is already at the beginning of Article 31, and so we had the feeling that we need no paragraph 3 at all, nor do we need the Alternative A and B.

I admit that one day there may be some cases which would not exactly fit into it. If we try to define anything which may happen in ten or twenty or a hundred years, we could sit here as

long. So, we thought that it would be better to delete entirely paragraph 3, and I think that our American colleagues were more or less of the same opinion.

We will have ITO and they will always have the opportunity to decide if there are certain cases where somebody will say "It is a State Enterprise" and we will say "It is not". It will be the Executive Board or the meetings of the ITO that will decide afterwards. I thank you.

CHAIRMAN: The Delegate of the United States.

Mr. EVANS (United States): Mr. Chairman, in view of our stated preference for alternative (B) I should like to speak not to the wording of the various amendments that have been submitted, but to the substance of what the United States thinks is required in this Article.

As we understand it its purpose is to cover those cases where a Government has in effect created an agency which may or may not be a State enterprise as popularly understood.

If the Government, through the exercise of its internal power, can set up any kind of enterprise, whether it is labelled State enterprise or private enterprise, whose operations in effect would make the provisions of other parts of Chapter V inoperative, in our opinion the State concerned has an obligation to see that the operations of that enterprise are carried out in conformity with the provisions of Article 31. In the cases which have been mentioned by the French Delegate and the Chilean Delegate, where an enterprise is in fact carrying out its external operations according to commercial principles, they surely have nothing to worry about if such enterprises are defined as coming within this Article.

If they do not carry out their operations in that way, there is and should be (we believe there is in another part of this Article) an obligation on the part of the State to see that they do promote the provisions of Article 31.

I think that there is a good deal of merit in the suggestion of the Czech Delegate that paragraph 3 be omitted, if the wording of Article 31 clearly indicates that the Member has an obligation to see that the enterprises which are mentioned in that Article - either State enterprises or monopolies created by the State - are carrying out the provisions of the Article.

CHAIRMAN: The Delegate of Canada:

Mr. DEUTSCH (Canada): Mr. Chairman, like the Member for Czechoslovakia, I also have some doubt whether it is necessary here to have an article defining a State enterprise, because in paragraph 1 we say that either a State enterprise, or any other enterprise that imports, produces, etc., must adhere to the rule of non-discrimination. Well, in our general structure here we place enterprise either in the one category or the other. They are either State enterprises or they are not. In either case they must follow the rule of non-discrimination, so it does not seem necessary to define what the State enterprise is, because in any case it must, if it is not a State enterprise, follow these rules; so unless we can easily find a definition I do not think there is much to be gained by trying to establish one.

CHAIRMAN: The Delegate of Chile.

Mr. MUKOZ (Chile): Mr. Chairman, I find myself, without wishing to pronounce myself at this present moment, in certain sympathy with the suggestion of the Czechoslovak and U.S. Delegates, and I also agree with the Canadian Delegation, that the exact definition of a State enterprise is going to be very, very difficult to find.

Perhaps you could find a happy solution by dropping this paragraph 3 if it would meet the case.

I think it is not a bad suggestion at all, but one which could be considered by the Sub-Committee.

CHAIRMAN: The Delegate of South Africa.

Mr. HOLLOWAY (South Africa): Mr. Chairman, I think we must ask ourselves if we are to have a definition at all what the purpose is.

We attempt to lay down in this Article that State enterprise - to be defined - must follow the rule of non-discrimination.

I do not think we say that anywhere about private enterprise. That for two reasons. The one is that Members are States, and not private people; and secondly, I do not know how anybody is going to prevent, let us say, a cigar-importing firm in the Union of South Africa from preferring to import cigars from Jamaica rather than Cuba; even if the Cuban cigars are better and cheaper, just simply because it prefers to do that. How are you to stop it? Can anybody here on behalf of his Government undertake to do that? It would be to our mind perfectly silly to stop it, and we do not attempt to stop it.

We assume that in private business people will be guided by ordinary commercial considerations, and therefore we do not consider it necessary to make a rule. The position, however becomes somewhat different when it is a State enterprise, because after all a State is influenced in quite a large proportion of cases by commercial and non-commercial considerations, and most States, in the nature of the beast, are guided by non-commercial considerations; and therefore there is some reason for making a special rule for State enterprises. Now, we set about defining State enterprises, and because it is a difficult thing, we do it at various places.

We start in the very first lines of Article 31 by saying, "If any Member establishes or maintains a state enterprise, wherever located, which imports, exports, purchases, sells, or distributes any product". If we are not satisfied with that group we take a State enterprise, which not only exports or sells goods, but in addition to that "has exclusive or special privileges".

Now I want you to imagine that if you add only the second clause, it is a sufficient definition.

But when we come to paragraph 3 we try to re-define those that have exclusive or special privileges, but we have forgotten the first lot altogether--the lot that have got to be defined: those which are created by the state, which can do business but which have no exclusive or special privileges. There are plenty of such Organisations--we have some in our own country and I think most of you have them. Those are the people you want to define under paragraph 3.

Now, in defining them - focus your attention on the word "define", that is, put a limitation - do you want to put a narrow limitation for the purpose which you have in view, or do you want to put a wide limitation? If you require to put a narrow limitation for the purpose you have in view, then, of course, there must be some purpose to be served in cutting some of them out, but obviously you want all those in that can be influenced by the state to act in a way which is not a commercial way, so that you do not want the most narrow limitation: you want a rather wide limitation. On the other hand, you do not want to make your limitation so wide that it includes organizations which you cannot control.

Let us try and test some of these definitions by that. The original New York Draft applies to any enterprise, organ or agency in which there is effective control by a Member government. Ask yourself immediately how much control and what nature of control? You are allowed under the Charter to maintain import control or exchange control. Is that the sort of control that is intended here? It can be perfectly effective, but it applies to a very large number of organizations which go quite beyond what you intend.

An attempt to meet the difficulty has been made in Alternative A, which does not speak only of control, but

control over the trading operations; but, in the same way, the control over the trading operations is carried out by your exchange control or your import control. Alternative B has the same thing, and both A and B define the second class, those that have exclusive privileges, and do not define the first class, the only class which requires to be defined.

It seems to me, Mr. Chairman, that the control which has got to be exercised in this Organization that is created by the State is to be a control or a right of control over the management, not the trading operations. "The trading operations" is too wide a term. The Government must be able to step in and say "You shall buy in Market A in preference to Market B, because we want to remain on good terms with the people in Market A." Then you are introducing a non-commercial element in it, so you must define them with some regard to the management - to the ability to give an order to the Organization as to how it shall buy, or if necessary, how it shall sell. I think that is an essential part.

The other point on which various drafts have been tried is whether the Government shall exercise it, or whether it shall have the right to exercise it. It seems to me that it does not matter in the least whether the Minister in charge of the particular operation does actually approve of any particular operation. The Organization may go perfectly well, and carry out what that Government wants, without placing commercial considerations first, without one word of interference from the Minister. As the English saying goes, "a nod is as good as a wink to a blind horse". Alternatively, the Organization may be applying only commercial considerations, and the Government of that country may want it

to apply only commercial considerations, and has no reason to interfere so that actual interference is an accident: the essential part is the right to interfere. It does not matter - coming to the last point of the various definitions in which there is an attempt to bring in words which may or may not be necessary - it does not matter in the least for what reason the Government has that right to interfere. It may have a purely arbitrary right to interfere. Whether it is by virtue of the special privileges or not by virtue of the special privileges, or simply because that is the law of the country, it is the right to interfere, the right to deviate away from commercial considerations, which makes it essential to make a special rule for the state trading operations; and so long as you have got those points fixed, then it seems to me you are covering all the definition, and I think that definition is necessary to define these people who may act for non-commercial reasons from those who would normally act for commercial reasons.

Mr. L.C. WEBB (New Zealand): Mr. Chairman, I just wish, on the assumption that this is going to the Sub-Committee, to draw attention to one point. We have no strong views as to whether or not the definition of a state trading enterprise becomes a third paragraph or is left to be dealt with in the first few lines, though we think that probably your suggestion is quite a good one.

I would just like to point out that, in the London Draft, the words in the definition on the first few lines of Article 31: "and exercises effective control over the trading operations of such enterprise" were put in square brackets after some discussion, and in the New York Draft, the problem was solved by removing those words down to the Alternative, so that the position is explained quite fully on page 17 of the London Draft. I just wish to point out that, if we are considering leaving state enterprises to be defined in the first few lines, the Sub-Committee would necessarily have to take into consideration the question as to whether those lines in square brackets in the London Draft should go back again.

CHAIRMAN (Interpretation): If no one else wishes to speak, we can refer the matter to the Sub-committee.

We will pass on to Article 32 - "Expansion of trade by State monopolies of individual products." On this Article we have a set of amendments. We have a Czechoslovak amendment which proposes various changes in the text of the Article, and we have a United States amendment which proposes an alteration in the text of Paragraphs 1 and 2 and the deletion of Paragraphs 3 and 4. We have a Netherlands amendment which proposes the addition of a new paragraph. Finally we have a Chinese amendment, which is of a much less radical nature.

I will give the floor in succession to the authors of these amendments, beginning with the Delegate for Czechoslovakia.

H.E. Dr. Z. AUGENTHALER (Czechoslovakia): Mr. Chairman, Gentlemen, when we are discussing this Article we are dealing with an extremely difficult matter which is not at all clear.

As I have said already, the programmes today are not clearly defined. For instance, when I have to deal with, say, the United States, it is for me a scarce currency, so I cannot buy more than I am able to earn by my exports into the United States. Now when I have only a limited sum at my disposal I must, of course, have a list of priorities. I cannot say exactly how much it will be; it will be dependent on the results of my exports. If I were to try to buy more than I could afford, I should be in the position of a private company trying to buy more than its means allow it. Such a company would very soon become bankrupt and maybe even incur some penal sanctions. States are not generally expected to act on the same principles, but they should do so.

In that case, I doubt whether there is any good reason for adding detailed provisions regarding this article, because it may work only when the other conditions are quite different from those we are experiencing today. Conditions may be different in a few years - not as soon as we would like - but still we do not know today what those conditions might be, and that is why we thought it better to have a short general provision.

Now I will come to some details which are in the London Draft. There are first some special provisions for export monopolies. It may be only the case of a country which has not only the home monopoly but which has a monopoly of the world market, because otherwise this country tries to export, and I do not see why this country should make some special difficulties in regard to exports.

As regards the import side: we have thought very hard about the programme of negotiated margins and we have found that it is hardly possible. Let us take the following case: suppose that I have some State monopoly for, say, wheat. The Government would decide that I should pay some fixed price, some stable price, to the producers, just to keep stable prices and stable revenue to farmers. Let us say that this price would be 400. When I am negotiating the margin it could be, for instance, 30 per cent below the price. In this case I would be negotiating with the supplier at a price of 260. Possibly this price is not the world market price. I am not acting according to commercial considerations. If I do it with one country I may be discriminating against other countries.

If we take the opposite point of view, I should say I will buy at the world market price plus, say, 30. So it would be 300 plus 30, which is 330. Then it would not always be the same price; it would go up and down, and the whole policy of a stable price will be destroyed.

If we take another aspect, we come to certain results which are either contrary to the Charter or destroy entirely the whole policy probably voted by the Parliament. That is why we thought that, in general, negotiating the margin would not be practicable. It is quite possible that we may negotiate the total quantity of a commodity, but maybe there are other possibilities too. That is why we thought it better to leave in this Article only a very general definition and to await future development, especially when there will be no scarcity of free currency and when there will be no shortage of certain commodities.

When we were proposing this change, it applied only to Paragraphs 1, 2 and 3, but we even thought it touched Paragraph 4.

CHAIRMAN (Interpretation): Does the United States delegate wish to present his amendment?

Mr. JOHN W. EVANS (United States): The general purpose of the United States amendment was to bring about more effectively than the earlier draft the balance which we considered it was intended to create between the obligations of State Trading countries and the obligations of countries who carry out nearly all their trade through private enterprise.

The first paragraph in Article 31 really parallels the most-favoured-nation principle. It was in our understanding of Article 32 and Article 33 that it would parallel the provisions in Chapter V calling for negotiations in order to increase trade. Our analysis of Article 32 fell somewhat short of that goal. In the first place, the requirements for negotiation on protective margins on resale by State created monopolies, while excellent in concept and we think very practical in most cases, was too rigid to fit a number of situations in which we should like to negotiate with a country maintaining such a monopoly.

The simplest example of what I have in mind is the case of tobacco leaf imported by a monopoly which manufactures and sells cigarettes. In the first place, the wording of the formula quite clearly does not fit that case, because it refers to the resale price of the imported commodity. It makes no allowance for the possibility that the commodity may be mixed with another commodity, or that it may go through certain processing. Even if that were taken care of, we can visualise other situations where a State-owned company which is, in effect, a monopoly on the importation of a particular raw material - because it is a monopoly of the manufacture and domestic sale of all the products made from that raw material - may be making dozens or even hundreds of articles out of the raw material itself. How we can negotiate marginal preferences under these circumstances I do not know. Our purpose in this amendment was - without diluting at all the obligation of countries which maintain such margins to enter into negotiations - to create more flexibility, and the possibility for a request to be made by the exporting countries along other lines.

One of those lines suggested is the local purchase commitment, but because we were not sure that that would cover all the remaining cases we also included a general provision for negotiations of any other arrangement which would serve the purpose which the exporting country considers desirable and which would meet the purposes of the Article.

Now, that is the general concept behind our amendment, but there are one or two more detailed remarks that I think might be worth making. In the first place, it will be noticed that we have retained the provision for the negotiation with respect to export commodities. Mr. Augenthaler has raised a question as to whether that is necessary. We believe that it is. There are elsewhere in the Charter, provisions which require that countries which maintain export taxes on raw materials - raw materials are not specified, but export taxes - shall open those up to negotiation in the same manner as import duties are negotiable. It seems that the parallel of that situation, in the case of state monopoly or^a state trading country, is in negotiation for increasing the exportation of the commodity concerned. It may be a raw material needed by the manufacturing industries of other countries; it may be that a restriction on its export would have the effect of protecting the manufacturing industry of the country in which the raw material is produced provided it has anything like a monopoly. The purpose of this provision, we think, is quite clearly to place such a country under the same obligation as other countries when they negotiate export duties.

We believed that it followed, from our lengthy amendment to the first two paragraphs of the Article, that we could quite properly drop paragraph 3 and paragraph 4. In the case of paragraph 3, the purpose before, under the very rigid formula for

the negotiation of marginal mark-ups, was to assure that that negotiation would really have the effect intended by the exporting country which was carrying out the negotiation. Clearly, there is no gain to the country so negotiating unless its product has, as a result, been offered in the domestic market for a lower price in unrestricted quantities. Otherwise, that lower price does not increase its exports. In view of the more flexible provision for the negotiation of those margins in our amendment it seems clear that that is a provision which the exporting Member would himself include, if it were necessary and desirable, in his individual negotiation.

The fourth paragraph again appeared to us to be unnecessary in view of the fact that these considerations mentioned in paragraph 4 are only some of the considerations which would necessarily enter into any negotiation. There seems no more reason for specifying here that the revenue nature of the monopolies should be considered in this negotiation, than to provide similarly that revenue tariffs should be considered in a separate clause on negotiating tariffs, nor does it seem to us to be necessary to add any other of the numerous considerations which have been suggested for that paragraph.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. SHACKLE (United Kingdom): Mr. Chairman, I should like first to say I entirely agree with the observation made yesterday by Dr. Lugenthaler when he said State-trading should not be regarded as a new form of production.

It is, in fact, we think, as he said, just a new method of trading.

On the other hand, we also agree with an observation made yesterday by the Canadian Delegate that there must be some rules to govern the activities of State-trading enterprises in mixed economy countries - what is called 'single product monopoly' - and that these rules should be as closely analagous as possible to the rules which were established elsewhere for private trading.

Well, I would turn now to the United States Amendments to paragraphs 1 and 2. What I am going to say, I think, applies also in a considerable measure to the Amendments presented by the Czechoslovak Delegation, although they are shorter and simpler, but I think my remarks will equally apply to them - at least, also, to a large extent. I would like to say in regard to the United States Amendment that to us it seems a little unfortunate that such very extensive Amendments should have been presented to us at such a late stage.

We have had this scheme of negotiation of margins before us ever since the London Conference, and the matter was very carefully thought out there. These Amendments attempted in a way to merge the provisions of Article 33, which deals with the complete State trading country, with those of Article 32, which are meant to cover the mixed economy, or to give it its alternative name, the single-product State-trading country.

Now we feel that this attempt to merge Article 33 with Article 32, which is the result of bringing into Article 32

the concept of negotiating about quantities, will make for some complication and considerable confusion.

It seems to us that there is an essential distinction between the two articles. Article 32, as I have said, is meant to deal with the mixed type of economy, where only a limited number of products are covered by State trading, and where for the rest trade is carried on on a private basis. In a country of that kind, considerations of costs and prices are equally applicable to the State trader as to the private trader.

Article 33, on the other hand, as I have said, is meant to deal with the complete State-trading economy, which is quite different, because it seems to us that even for the goods of the complete State-trading economy, the method of negotiating about quantities seems a very doubtful way - we doubt whether it would be at all suitable or feasible.

When one comes to apply to the single product type of State-trading, if it were to involve, as the U.S. Amendment seemed to have contemplated, a kind of global negotiation between the State-trading country on the one hand and all the other interested countries on the other, then it seems to us that the procedure will be impossibly cumbersome, and we think it is certain that it would never work.

Moreover, negotiations about quantities will have no meaning, unless you also negotiate about prices. That point, I think, is recognised in the Czechoslovak Amendment, which says that in order to assure exports or imports of the monopolised product at reasonable prices, these negotiations shall be carried on. They are cases where you have to deal with prices at the same time as you are dealing with quantities.

So what we should be involved in would be a series of global negotiations with any of the interested countries to cover the whole field of quantities and prices, and that we are quite sure would be impracticable. If that would be the method we followed here, to cover the case of the single-product State trader, to form a counter-part for tariff negotiations for private trade, then we think it is a foregone conclusion this side of the negotiations will never be carried through, and the Committee's work will, in fact, be frustrated.

It also seems to us that even if such negotiations do succeed or result in an undertaking by the State-trader to take care of a particular commodity, then so long as the State-trading country's external purchasing power is limited, the effect would be that in proportion as it bought more of the product about which negotiation had taken place, it would have to buy less of other products. That, of course, would have to apply particularly to competitive types of products. Let us take an example. If the State trader were to undertake to supply oil, we would have to buy less seed, and so on. If we are to obtain useful results from this Conference, the principle of the existing Draft of Article 32 must be maintained. That is to say, these negotiations should be as near as may be to the exact parallel of the tariff negotiations under Article 24. In this way the negotiations would be kept within manageable dimensions.

We have heard it argued that the method of negotiating margins, as contemplated in Article 32, is impracticable in cases where, for example, the State monopoly mixes products, or prices of products, before selling to the home consumer. We are not convinced that such cases present any insuperable difficulty. If so, we will have to meet the difficulty when it arises. The existing draft of Article 32 already makes

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provision for such cases in its definition of import margins; in paragraph 1 (b) it provides for due allowance to be made for internal taxes, transportation, distribution and other expenses incident to purchase, sale or further processing, and for a reasonable margin of profit.

I would like to call special attention to the reference to processing, and also for a reasonable margin of profit. So it does seem to us that all these contingencies have been provided for.

It may be said, indeed, that the data about costs and so on which would be necessary to enable these allowances to be calculated would be lacking; but we cannot believe that that would be the case; for these are just ordinary elements of commercial cost, for trading enterprises, whether State or private enterprises.

A monopoly must know all about such things as the relative cost of the various types of tobacco it makes, or the cost of making tobacco up into cigarettes; or if it is a case of wheat, the cost of milling the wheat.

The business will know the cost of such things, and it seems to us that problem is simply one of accountancy. So it seems to us that ^{if} there is the necessary willingness to disclose data, it would be possible to observe the margins.

All state trading organizations would be prepared to produce the necessary data, and we assume other government trading organizations would similarly be willing.

Another argument which may be used, and has been used, is that the variety of prices and fluctuations of price of different parcels and consignments of an imported commodity would be such as to make it impossible, under present-day conditions, to observe the margins. We do not think that this argument holds, because quite clearly it will be necessary to allow for averaging between the prices of different parcels and different consignments. The last sentence of paragraph 1 of the Article does already provide that in applying a margin, regard may be had to landed costs and selling prices of the monopoly over recent periods. That covers averaging in time and, incidentally, averaging in time will go a long way to meet the difficulty about stabilization to which Dr. Augenthaler called attention. If you can average over a year or two, that will do a great deal to flatten out the ups and downs and curves of prices. That is averaging over time.

In addition to averaging over time, there needs to be averaging over consignments. I think the drafting is a little deficient there - that could easily be put right. We do not pretend that within any given annual period it would be possible to ensure that the negotiated margins could be precisely observed, but we do believe that they could be observed in a general and approximate way - that that would be quite feasible.

I would like to refer to one or two other points made particularly, I think, by Dr. Augenthaler. First of all, he mentioned the difficulty, under present-day conditions, that many countries which go in for state trading are short

of exchange and that therefore they must exercise a very close discretion over what they buy. Well, as to that, I entirely agree; but that, I think, is quite a different problem.

If you will look at Article 26 which deals with the problem of balance of payments difficulties, you will see at the end

Paragraph 7 it says "Throughout this Section the phrase 'import restrictions' includes the restriction of imports by state-trading enterprises to an extent greater than that which would be permissible under Article 32". In other words, the state-trading enterprise can do just what, under private trading, would be accomplished by means of import restrictions for balance of payments purposes. That, I think, is the answer to that problem, whether there be negotiations about margins or whether there must not be.

Another point which is raised by Dr. Augenthaler was the case where the state-trading country desires to assure stable prices to its home producers. Well, that it could do in any case. The negotiation of margins would present no difficulty because all that the negotiation of margins involves is that there is to be a selling price which is, shall we say, "x" above the buying price. It says nothing about the price which you pay to domestic producers, and if the state-trader cares to pay more to domestic producers than the selling price, he can perfectly well pay a stabilised price all the time. It is, in effect, a variable subsidy which keeps the price to producers stable.

Well, we feel, in short, that the problem of the state-trader who trades in only a limited number of products in what is otherwise a private trade economy must be kept quite distinct from the case of the complete state-trader. They are not comparable and must be dealt with by different methods.

The idea which is implicit in the present Article 32, which would assimilate the obligations to be entered into by the partial state-trader to those which would be entered into by the Governments of private trading countries, seems to us to be right one. On one or two minor points, we feel that it is rather regrettable that the United States amendment drops the existing Paragraph 3. Under that paragraph the state importing monopoly is required, subject to certain conditions, to satisfy domestic demands. That provision is, in fact, the counterpart for the partial state-trader of the obligation which is laid upon private trading countries by Article 25 to renounce in general the use of quantitative restrictions on imports for protective purposes. If there were not a provision about satisfying demand, the door would be open to use state-trading as a means of applying quantitative import restrictions for protective purposes, and one of the main safeguards against using protection in that way would be removed; so to resume, I would say that in our view, it is essential that the case of the partial state-trader under Article 32 should be kept distinct from that of the complete state-trader under Article 33, and to blur that distinction would lead to confusion, and we are afraid that these negotiations about quantities and prices would simply result in frustration of the negotiations. We think that the present scheme of Article 32 should be kept.

CHAIRMAN: Mr. Deutsch.

Mr. J.J.DEUTSCH (Canada): Mr. Chairman, the Canadian Delegation fully supports the remarks just made by the Delegate of the United Kingdom. Like him, we agree that the amendments proposed by the Delegations of Czechoslovakia and the United States would introduce a whole range of new considerations into both our tariff negotiations and the substance of the Charter.

As was said yesterday, the Charter must accommodate the differing situations between countries whose trade is conducted largely through private enterprise and countries whose trade is conducted under a mixed system, and it is important, in that accommodation, that the balance is maintained - the balance of obligations and benefits. We cannot here write a Charter that does anything else.

Under the Charter as it now stands - as it came out of the New York Committee - countries are required on request to negotiate their tariffs, and that is particularly applicable to countries whose trade is conducted largely through private enterprise. In other words, they are required to negotiate the protective margin that is afforded to domestic producers and therefore it would seem correct that countries using State trading enterprises should likewise, in a similar manner, be required to negotiate on request the protective margins which their monopoly operations provide.

The amendments that have been proposed, however, make a rather drastic change in that situation. Under the amendments suggested, countries maintaining State enterprises may negotiate about quantities. That is not the case with respect to the negotiation of tariffs. The Charter says negotiations must proceed on the basis of the protective margins as provided by a tariff.

There is no possibility of negotiating quantitative amounts. The Charter does not, as it now stands, permit that. It does not envisage that. Whereas, with these amendments, as far as State enterprises are concerned, we introduce now an entirely new principle.

We agree with the Delegate for the United Kingdom that that is a substantial change and one which is rather difficult to comprehend, coming at this late stage.

The Delegate of the United Kingdom has stated the implications of this proposal. It would mean - in the case of an importing country, say, which maintains a State enterprise monopoly - negotiating quotas, and a country requesting those quotas would be negotiating on behalf of all the countries that are interested in the export of that item. Furthermore, it would mean the establishment of minimum quotas; in other words, the importing country would undertake to take a certain amount of a commodity.

Clearly, countries cannot make such undertakings unless they know the price at which those minimum amounts will be bought. Dr. Augenthaler's amendment clearly recognises that.

Then the negotiations take on an even wider and more complex character. We are negotiating quantities and we are negotiating prices. It seems to me that the bilateral procedure for negotiating tariffs is completely inappropriate to that kind of negotiation. We are negotiating quantities and prices. That is not envisaged in the usual bilateral tariff negotiations as we understood it.

We feel that that type of negotiation falls properly under Chapter VII. Chapter VII is designed to take care of that type of situation and certain conditions are laid down and certain procedures are specified for the conduct of

negotiations of that type, and they are procedures which are entirely different, or appropriate to bilateral tariff negotiations.

Furthermore, before the procedures of Chapter VII can be used, certain conditions have to be complied with. Now it appears that these conditions do not apply in the case of negotiations regarding imports by a State monopoly. You deal with the same matters in the quantitative control of imports, the quantitative allocation of imports and prices and matters of what kind, but now you do it under the procedure of tariff negotiations under Chapter VII. There is a basic inconsistency there in the substance of our Charter if we adopt this procedure.

One of the reasons that has been advanced for introducing this idea of negotiating minimum global imports is that the present provisions in Article 32 are not practicable to cover every situation, and various technical difficulties have been suggested. Mr. Shackle has, I believe, answered effectively those technical difficulties; one mentioned by the delegate of the United States was that in cases of commodities that are imported by a monopoly and are mixed and processed and then sold, it is very difficult to determine what the margin is. I think Mr. Shackle has stated that the present Article 32 does envisage recognition of the situation that arises when commodities are imported and are further processed and then sold. He has indicated that the margin shall take account of the fact that processing and distribution costs have been added, and it is not intended to lose sight of those factors. In any case those are determinable factors, they are a matter of costing. Even if this difficulty could not be easily overcome, we feel there are other ways of overcoming it. In the case of an item that is imported and then is blended with another item and sold as a definite product, if there is any great difficulty about determining the difference between the ultimate selling price and the buying price, we feel that situation could be met in another way. In that case all you would need to do would be to determine the margin between the buying price of that raw material, the importing price, and the price paid to the domestic producer for that same raw material. You would avoid then the problem of processing, etc. If the present article is not drafted exactly to meet that situation, it could meet it, because in that way you would be aiming at exactly the same principle, namely the protection afforded to domestic producers. If there is no domestic production of course the problem of production of domestic producers does not arise.

If it is impossible to determine the margin between the buying price of the imported product and the selling price of the resulting product, you could do it by means of a subsidy.

Subsidies are, of course, allowed under the Charter. We see no insurmountable difficulty here to enable us to reach the exact equivalent of a tariff negotiation.

There has been some difficulty made about the problem that arises in a country that follows a policy of stable price. Wheat has been mentioned. A country may have a programme of a fixed price for its domestic producers and a fixed price for its domestic consumers, and it has been suggested that if a margin is negotiated, ^{fixed} that/price policy cannot be followed, because the domestic price would be tied to a fluctuating external price. Of course that does not necessarily follow. We are here negotiating the maximum margin only in the first place. A fixed price below the maximum margin can still be followed and it is still possible to average it. Sometimes you will buy at a price abroad which is lower than your own price; at another time you will buy abroad at a price which is higher than your domestic price, and by a process of averaging, you can still maintain a stable price. At what level that stable price shall be depends of course on the size of the margin, and that is where the question of negotiations comes in. How high is that margin and consequently how high is the stable domestic price?

This is a matter which is fully provided for in Article 32. It does refer, as Mr. Shackle has pointed out, to an average margin over recent periods, and within those provisions it is possible still to follow a stable domestic price. The height of that price will depend upon the height of the margin, but that is precisely what we are negotiating about. As Mr. Shackle has also suggested, there is

always the possibility of a subsidy in case the margin does not allow the maintenance of a domestic price as high as the country would like. Between those two possibilities we do not see any fundamental conflict necessary between this idea in the present Article 32 and the adoption of a stable price policy.

I would like to emphasise again, we think the suggestions proposed in both the Czechoslovakian and the United States amendments makes a very fundamental change in both the tariff negotiations and the structure of the Charter. Therefore, we feel very strongly that we should stick to the principle now contained in Article 32; this we feel is the only way in which we can maintain that balance between countries which conduct their trade through private enterprise and those whose trade is conducted in other ways.

CHAIRMAN (Interpretation): Mr. Augenthaler had asked to speak.

M. S. MINOVSKI (Czechoslovakia) (Interpretation): Mr. Chairman, I am sorry but Mr. Augenthaler was obliged to go, having to catch a plane to Prague at six o'clock. He is very sorry, therefore, that he is not able to take the floor again on this question. I would merely add a few words.

We should not forget that countries such as Czechoslovakia are obliged to negotiate on tariffs, quantities and prices. We are only offered negotiations on tariffs, and sometimes we are offered reductions on tariffs, which is not sufficient to meet our case.

CHAIRMAN: Mr. Evans.

MR. J.W. EVANS (United States): Mr. Chairman, it seems quite clear from the remarks of Mr. Shackle and Mr. Deutsch that the objectives for this state trading section of the Charter desired by their delegations are identical with the objectives which we desire. That being the case, I feel that it would be inappropriate for us to attempt to answer the arguments which they have raised without very careful consideration, and we intend to give them that careful consideration.

I do, however, want to correct what I believe are likely to be two misapprehensions which may be created by, in one case, a remark of Mr. Shackle's and in another case, a remark by Mr. Deutsch. It was not the intention of the United States amendment to - and I do not think that it did actually - lift the provision tentatively provided for Article 33 and incorporate ^{it} /in the new Article 32. As we understand the previous draft of Article 33, it called for the global negotiation by ^a /state trading country of all of its

imports from Member countries, the global amount which would represent its complete imports of all the products from those Member countries. That bears, I think, only a very superficial resemblance to the provision we have placed in article 32, which is for negotiation product by product and, I might say, on a bilateral basis not on a multilateral basis, which we felt, in cases where it was impossible to formulate a request on the basis of the marginal mark-up, would be a better parallel for a tariff negotiation than no negotiation at all.

The second point I would like to clear up is an apparent misapprehension on the part of Mr. Deutsch. He said that our Amendment provides that a State Member having a State enterprise may negotiate on the basis of the global quota. That was certainly not the intention of our language.

It was our intention that the initiative should be with the exporting country, which is requesting a negotiation, that if that exporting country believes that it can provide for negotiation with an importing country, it should have the opportunity of requesting such a negotiation with the importing country.

The alternative offer was an alternative to the exporting country to suggest other methods where it could see no value to it in the first type of negotiation.

We will, however, go very carefully into the arguments of both the United Kingdom and the Canadian Delegations before replying any further.

Mr. BOGLARDT (Netherlands): Mr. Chairman, before I comment on the observations made by the various Delegates, I am afraid I cannot avoid referring first to the amendment proposed by the Netherlands Delegation on page 11 of the present document.

I intended to make a very brief statement on the amendment as to my opinion of the cases. There is a striking resemblance. As in the case of subsidies a distinction is made between discussions and negotiations on the bilateral basis and negotiations on the multilateral basis. I think that the same distinction should be made here.

Now I think I have to give a background of our point of view. The Netherlands Government attaches great value to commodity agreements. That is to say inter-Governmental arrangements on a multilateral base. We normally find ourselves in the same position as the Czechoslovak Government. We formed a price stabilisation scheme, that is to say, State monopolised charges.

During the tariff negotiations we received a request to fix these margins to a certain limit. We explained our position in a paragraph to which I referred during the previous discussions. We cannot fix the maximum margin, for the world market price is an unknown factor.

The Canadian Delegate referred to the average cost, but I do not think it will be a solution. I want to draw your attention to the price of a bushel of wheat in 1938, which was 8 dollars 5 cents, and now it is 3 dollars. So I think it is a very unwise move to try to fix the maximum margins before.

Mr. Chairman, we tried to do our utmost to have a commodity agreement on wheat, and I think as a result of discussions the difference between subsidisation and maximum monopoly margins should be avoided.

Therefore, Mr. Chairman, I think that the amendment of

the Czechoslovak Delegate has many merits. On the other hand I feel no definite objections to the United States proposal, subject to two observations.

The first one is to draw your attention to the Amendments to which I referred previously. I think there ought to be some close reference in the text proposed by the United States Delegation. The meaning of that is to state clearly the difference between discussions on the bilateral and the discussions on the multilateral basis.

The second point is more or less a drafting point, which is not quite the text of sub-paragraph (c) of the U.S. proposal.

It reads: "any other arrangement to accomplish the purpose of paragraph 1 of this Article" - then comes to a full stop. I think a comma ought to be substituted for the full stop, to make it clear that the proviso only refers to sub-paragraph (c).

As far as I can see paragraph 2 is only an elaboration of paragraph 1 of the U.S. Amendment, and as the words "subject to the provisions of Article 31" are explicitly mentioned in paragraph 1, I do not think it ought to be repeated in paragraph 21.

Thank you, Mr. Chairman.

CHAIRMAN: (Interpretation): The hour is now late and we have no hope of terminating this debate tonight. I suggest, therefore, that we pursue it next week.

There is, however, a remark I would like to make on our programme for the beginning of next week. Mr. Lokanathan of the Delegation of India, who was Chairman of the sub-Committee on Chapter III, has to leave on Tuesday for India. He will come back, but he would like, naturally, that the debate on the result of his work be discussed in his presence. I would, therefore, suggest that we study the report of the sub-Committee on Chapter III on Monday in Commission A. and that we pursue our work on Articles 31, 32, and 33 on Tuesday only. There is a difficulty in that Commission B also meets on Tuesday; but I see no other way of giving satisfaction to the request of the Delegate of India, and I therefore would ask all the Members if they agree to my proposal. Does everyone agree? (Agreed).

The Meeting is adjourned until next week.

The Meeting rose at 6.05 p.m.