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

VERBATIM REPORT.

TWENTY-NINTH MEETING OF COMMISSION A.

HELD ON WEDNESDAY, 9TH JULY, 1947, AT 2.30 P.M. IN THE

PALAIS DES NATIONS, GENEVA.

MR. MAX SUETENS (Chairman) (BELGIUM)

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CHAIRMAN (Interpretation): The Meeting is called to order.

We begin to-day the discussion of Article 28 - Exceptions to the Rule of Non-discrimination.

The United Kingdom Delegation has indicated their desire to formulate certain observations on this Article, therefore I call on the Delegate of the United Kingdom.

Mr. DE LIEDEKERKE (Belgium) (Interpretation): May I ask the Representative of India whether they maintain their addition to Article 26 (a)?

CHAIRMAN: (Interpretation): It is open to the Delegate of India to answer if he wishes to do so, but as far as I am informed, a Sub-Committee on Chapter IV has been instructed to take into consideration this proposal.

Mr. ADAKAR (India): That is precisely the position, Sir.

Mr. DE LIEDEKERKE (Belgium) (Interpretation): Mr. Chairman we have certain objections to the Indian proposal, and this proposal has not been discussed in this Committee since we completed discussion on Article 26, but here we are faced with a new proposal for Article 26 (a).

In these circumstances it will perhaps be advisable to open a discussion on this proposed Article 26 (a) in this Committee.

CHAIRMAN: The Delegate of India.

Mr. ADAKAR (India): Mr. Chairman, in the new Article that we have proposed, 26 (a), we have suggested a procedure whereby

the use of quantitative restrictions for protective purposes would be permitted without prior approval.

The whole question of prior approval is now being discussed in the Sub-Committee on Chapter IV, and we agreed that all Amendments relating to this subject might be referred to that Sub-Committee, on the understanding that the question of prior approval was still open; and since that understanding was generally accepted, we acquiesced in the proposal to refer all Amendments on quantitative restrictions for protective purposes to the Sub-Committee on Chapter IV.

CHAIRMAN: The Delegate of the Netherlands.

Mr. L. GOTZEN (Netherlands): Mr. Chairman, it is quite true what the Delegate of India has said; but I am afraid these remarks do not hit the mark, because there has not been any previous discussion on general lines about this proposal.

CHAIRMAN (Interpretation): In these circumstances, may I ask the Delegate of India whether, in his opinion, it would be advisable to open now a discussion on the Indian proposal for the insertion of a new Article 26A?

Mr. B.N. ADAKAR (India): Mr. Chairman, if Dr. Coombs wishes to speak, I would be very happy to hear his remarks before I say anything further.

CHAIRMAN: The Delegate of Australia.

Dr. H.C. COOMBS (Australia): Mr. Chairman, as I understand the amendment, it does relate to the use of quantitative restrictions for industrial development purposes, and that was specifically the reason for referring it to the sub-Committee on Chapter IV.

I would point out that in so referring it, it was not referred in the way a number of other matters have been referred to sub-Committees, with a sort of general direction from the Commission as to the way in which the sub-Committee should deal with it; but it was referred for thorough investigation and a clarification of the issues involved, so that, in effect, the sub-Committee on Chapter IV has become a sort of "committee of exploration", and it would be quite appropriate for the Belgian views on the Indian amendment to be dealt with in the sub-Committee on Chapter IV. Indeed, that sub-Committee has become almost as large as the Commission itself in its attendance, and other

countries who have views on this and related questions are putting them forward there.

I may say, for the benefit of the Belgian Delegate, that as Chairman of that sub-Committee I have assumed that it would be necessary, before final decisions are reached in relation to this and related matters, for the sub-Committee to report the result of its explorations back to the Commission, so that it would not be reaching final conclusions without the opportunity for everybody in the Commission to express their views.

If I may express a personal view, I think it would be regrettable to discuss this matter here, in view of the fact that it will be discussed in precisely the same way with every Member of the Commission having the right to participate - in fact, is now in the process of being discussed in that way - in the sub-Committee on Chapter IV. I feel it could only lead to duplication and, I believe, some irritation, if we dealt with it here also.

CHAIRMAN (Interpretation): May I ask the Delegate of Belgium whether he considers that the position has been sufficiently clarified?

M. F. de Liedekerke (Belgium) (Interpretation): In view of the fact that the Belgian Delegation has substantial objections to the proposal Article 26A, is it to be understood that this Article has been referred to the sub-Committee on Chapter IV without any general discussion in the Commission?

CHAIRMAN (Interpretation): It was indicated that no decision would be taken by the sub-Committee before the question had been reported to this Commission for full discussion.

We pass on, as previously indicated, to Article 28. The United Kingdom Delegation have notified their desire to speak on that Article and I will call upon the United Kingdom representative.

Mr. J.R.C.HELMORE (United Kingdom): Mr. Chairman, I think everyone who was present at the London meeting of this Committee will remember that Article 28 was among the most troublesome Articles with which we had to deal. It consists of a number of exceptions to the rule of non-discrimination, about certain of which there are no proposals before this Commission and on which I imagine that no difficulty or trouble will arise.

On one of the exceptions - one contained in the New York Draft, which relates to conditions attaching to exports, we have already had a certain amount of discussion in connection with an amendment put forward by the Czechoslovak Delegation to Article 26. At least, if I understand the point at which the Czechoslovak amendment was aimed, their amendment and 1 (c) of the present Article 28 are directed to the same point. I shall therefore not refer to that in my preliminary remarks but confine myself to 1 (a), which relates to the possibility of admitting exceptions to the rule of non-discrimination in respect of imports when there is the opportunity of obtaining additional imports above the maximum which a country could afford in the light of Article 26 if administered entirely consistently with Article 27.

I think everyone would agree that what the drafters of this sub-paragraph were attempting to secure was some mitigation of the restriction of trade which would have resulted if countries in balance of payments difficulties - especially during the so-called transitional period, when one

of the facts which we have to recognise is the existence of many inconvertible currencies - were required to apply Article 27 in the administration of their balance of payments restrictions according to the strict letter of Article 27.

So, Mr. Chairman, it seems to me that what we were aiming at in London was producing a sub-paragraph which recognised that if there are many inconvertible currencies in the world a Member may easily run short of convertible currency which can be used for buying imports from any source strictly according to the principles laid down in Article 27. And if a Member attempted to do that, that Member would find that there was still available to it a quantity of currencies which it could only buy from one source. Now if Article 27, which we believe is drafted on the right lines, were to be applied strictly, such a Member would find that, because it could not buy from the generality of sources, it had to refrain from buying from a particular source, the currency of which it had available but could not use elsewhere as that currency was only available ^{from} that source.

If I might explain that by means of a very obvious example, I think it might well be that the United Kingdom would be in possession of a large quantity of lire, which can be used only for buying in Italy. It might equally well be that the United Kingdom would be short of gold or dollars or other convertible currencies which could be used for buying anywhere in the world, and, operating under the general principles of Article 26, the United Kingdom might decide that it must give priority to tobacco or oranges and that, so to speak, all its last bit of convertible currency was used up in the period in question in buying tobacco.

The United Kingdom would then find itself in the position that though it had lire available to buy oranges it could not do so because, according to the strict reading of Article 27, it ought also to buy oranges in the United States, on the likely or unlikely assumption that the United States oranges were of equal quality to Italian oranges, and, maybe, even slightly cheaper.

The view which no doubt the drafters of this paragraph took would be that it would be an absurd position that the United Kingdom should not buy those oranges from Italy because of the application of Article 27, because it ought also to buy them in the United States. No good would be done to anybody; no oranges would, in fact, be bought in the United States, since the money would not be there with which to buy them and, under the strict application of Article 27, neither would they be bought in Italy. So it seems to us that the Article attempted to provide that, in such circumstances, the oranges could be bought in Italy without any detriment to the orange-growers in the United States, since, no matter what happened, whether this Article were here or not, the orange-grower in the United States - in the circumstances I have described - could not sell his oranges in the United Kingdom.

But, Mr. Chairman, what worries us about this Article is not the attempt to meet the general principle, which occurs in the first four or five lines of the New York Draft - which I think is the same as the London Draft - but the subsequent sentence, beginning with (ii) and going on with "Provided that...".

Now, the London Report says: "...the existence of some provision to enable countries with convertible currency to apply discriminatory restrictions in special circumstances, would encourage countries with inconvertible currencies to take the risk of accepting convertible currency at an earlier stage than it would be prepared to do". Now, as I read the present 1(e), it gives a great deal more freedom to a country with inconvertible currency to import on the basis which departs from Article 27, than it does to a country with convertible currency, and one can see why that view is taken and why, therefore, in the light of the consideration that I have just mentioned, the drafters inserted, notwithstanding that, a proviso which still allows the country which can accept convertibility to depart from Article 27, subject to the prior approval of the Organization in agreement with the International Monetary Fund.

We have been thinking this over, Mr. Chairman, and we do not think that the result would be one which the London Report claimed for this proviso. It seems to us that, by inserting more onerous conditions on the country with convertible currency than on the country with inconvertible currency, there is introduced straight away a deterrent to countries which are, so to speak, hovering on the brink of convertibility. Once they see that, by becoming convertible they are given an additional test, and one that, even with Dr. Coombs looking hard at me, I will mention, a test prior to approval, they would inevitably say "Well, we think we will put off taking the risk for a little while" and that we firmly believe is contrary to the interests of international trade as a whole. Any discouragement to countries which might accept the obligations of convertibility is, it seems to us, a bad thing.

Secondly, Mr. Chairman, it seems to us that, if we understand the passage beginning (ii) correctly, there is a special freedom

given to those countries which operate import restrictions through exchange restrictions. That again seems to us wrong. Of all the things that are really damaging to world trade, and the confidence of exporters and importers, it is that a current transaction, once having taken place, the exchange should not be allowed to pass, and that is why so many countries have adopted the principle in defending their balance-of-payments to ensure that their exchange restrictions and trade restrictions march in step, of saying "Once an import has been permitted, we guarantee that the exchange will follow", and it seems to us that any encouragement to do the reverse and to defend one's balance-of-payments solely by exchange restrictions and by allowing current transactions of goods to take place without guarantee that currency would pass, is entirely wrong. In fact, we would say that this sub-paragraph is a direct invitation to countries to hold on to discriminatory exchange restrictions, in which event they would, in fact, be released almost entirely from the very desirable obligations of Article 27.

And so, if I can sum up those two criticisms of the present form of paragraph 1(e) together, I would say that they seem to us, whatever the drafters may have meant, to be ^{nicely calculated to} penalise just the people who are doing their best to restore world trade to a multi-lateral basis even though they may be going beyond their exchange in doing so. On the one hand, they penalise, by imposing additional conditions, those who have accepted the obligation of convertibility, and on the other hand, they offer an incentive to the maintenance of discriminatory exchange restrictions.

Now, it seems, therefore, that the Preparatory Committee ought to have established that point to think again about the general design of this sub-paragraph, and we have been wondering whether the basis on which it should be re-examined should not rather be this:

It is not a question so much of whether the country which wishes to depart from the provisions of Article 27 has an inconvertible currency; it is whether the country from which it wishes to buy, after having departed from the provisions of Article 27, has an inconvertible currency, and that leads me on to an even greater difficulty. The type of discrimination that we have been talking about, Mr. Chairman, is discrimination in favour of a country which has inconvertible currency; to go back to my old example, the case of the United Kingdom discrimination, as it is called, in favour of Italy. I prefer to say departing from the provisions of Article 27 to the extent necessary to buy from Italy something which it could not buy from anywhere else. Now, if we provide that discrimination can take place in favour of the country with inconvertible currency, once again we are setting up an incentive to remain inconvertible, which is another difficult point it seems to me, that has got to be faced.

There is yet a third type of difficulty. Let me take the example of two countries - I mention the names solely for the purpose of making it clear - Sweden and the United Kingdom. The United Kingdom has a convertible currency and Sweden may or not have a convertible currency (it does not matter from the point of view of the argument). Let us assume, as might well be the case, that the United Kingdom's balance-of-payments difficulties are greater than those of Sweden, though Sweden is, in fact, in balance-of-payments difficulties.

Now, various things will happen as a result of that. Sweden is bound to operate under Article 26 and to restrict imports, that is to say, she will endeavour to earn more from her current trade in order to meet the deficit in her currencies, and if the United Kingdom has a convertible currency, obviously one of the currencies where she would try to increase her current earnings is that of the United Kingdom. In other words, by applying her balance-of-payments restrictions on a non-discriminatory basis against, let us say, both imports from the United States and the United Kingdom, she will endeavour to increase from both her current earnings or to decrease her current deficit and if, as might well be the case, she were in deficit with the United States and in surplus with the United Kingdom, she would use her current earnings in the United Kingdom to pay off her deficit in the United States, and from that would follow a drain on the United Kingdom reserve of gold and convertible currencies. Now, it is well known that the United Kingdom would not be in a position to stand such a drain, and the obvious counter measure would be that the United Kingdom, in turn, would restrict her imports from Sweden in order to defend her balance-of-payments, as she would be quite entitled to do under Article 26. In other words, on both sides of the count, both in

Sweden and the United Kingdom, there would be a decrease in trade.

Therefore, it seems to us that some solution has got to be found for this type of problem to enable Sweden, in my example, to import more from the United Kingdom than she would import under the strict application of Article 27, the reason for that being that if that easement were not found, the trade would simply not take place either way.

We have not come here, Mr. Chairman, with any draft to meet these points. We did not think it right to produce a draft which would obviously be complicated, without having explained first the problem which it is designed to meet.

I hope I have indicated in as non-technical language as I can manage the types of cases which it seems to us must be covered under this Article, and I want to conclude by saying that we see one very great danger in meeting exactly the point which we have been pressing on the Commission, that is, that under cover of any latitude that might be devised there would grow up a system of particular countries discriminating in favour of each other, both ostensibly using the latitudes which I have outlined, and a sort of "under the counter" arrangement between two countries by which each would take additional imports from the other. That, we would say, would be a very great danger to the future of international trade on a multilateral basis, and might lead to dangers quite outside the economic sphere - in fact, something very like it may have been happening in Europe in the late 1930's. So, as it seems to us, the problem is two-fold, one to devise the proper latitudes, and the other to devise the safeguards to see that those latitudes are not abused.

CHAIRMAN (Interpretation): Gentlemen, Mr. Helmore's statement dealt with paragraph 1(e) of Article 28. Another amendment has been put in, dealing with the same passage, by the Delegate of Australia. I shall therefore call on Dr. Coombs to make a statement.

Dr. E.C. COOMBS (Australia): Mr. Chairman, I do not think it is necessary for me to make a long statement, as it will have been realized by those who have read the comments which we submitted with our amendment here that we were concerned substantially with the same type of problem as has been outlined by the United Kingdom.

This is - as is obvious from listening to Mr. Helmore - one of the most difficult problems with which we have to deal, and, if I may say so, it is, furthermore, the one about which I believe the least satisfactory thinking has been done. This is still, I believe, an unresolved problem in a purely theoretical sense. We have worked over it now not only before the London meeting but through the London meeting, and I must confess that for myself I do not know what the answer is and I have no specific recommendation to make.

It is for that reason that we have merely suggested the deletion of the part of this Article which begins with the Roman "II" to which Mr. Helmore has referred. I would like to make it clear that we do not believe that the Article as a whole, with that part deleted, is satisfactory. We merely wanted that deleted in order that consideration should be given to what should take its place.

In connection with trade, we have in this Charter two broad objectives. One is the expansion of trade, and the other is the

elimination of discrimination. This is not the only case, I believe, where those two objectives are not necessarily harmonious. The choice of one may mean conflict with the other, and a reconciliation of them is by no means an easy task.

Beyond saying that, Mr. Chairman, I do not think I need to add anything except to draw the attention of the sub-Committee to our particular comments on this question, and to indicate that we would be anxious to contribute whatever we can to a solution of this problem.

CHAIRMAN: The Delegate of the United States.

Mr. George BRONZ (United States): Mr. Chairman, I think Dr. Coombs's observation, that this sub-paragraph suggests a philosophical problem of whether there may not be a conflict between the aim of the achievement of expansion of trade and the aim of the achievement of non-discrimination, suggests what may really be one of the fundamental backgrounds to the discussion of this sub-paragraph.

I do not propose to go into the question at length, but I simply want to say that the American Delegation has come to this Conference and has carried the same view throughout the Conference, that our philosophy has been that the achievement of expansion of trade and the achievement of non-discrimination are the same thing, and we have always felt that an attempt to secure more international trade by methods of discrimination is an illusory pursuit, as the history of the years before the recent war indicates, but, as I say, I do not want to get too far afield from the precise question at issue.

The sub-paragraph in question, 1(c) of Article 28, as drafted in London, would permit every one of the transactions which Mr. Helmore has given in his examples. Some of those transactions would require the prior approval of the Organization and the Fund; others would not, but the paragraph clearly contemplates the possibility of such transactions when they are carried out by a country which is permitted exchange restrictions under the Articles of Agreement with the Monetary Fund. They could be carried out by that country on its own initiative. Where they are carried out by a country which does not have exchange restrictions, or is not permitted current exchange restrictions under the Articles of Agreement with the Monetary Fund, prior approval would be required.

Therefore it seems to me that while Mr. Helmore has not made any specific proposal - since the provision in question would permit every one of the transactions he has given in his example - the only possible guess I can make on what the United Kingdom's observations would lead to would be to change the rules given in this sub-paragraph on prior approval or on freedom of the country to do that kind of discriminating without prior approval.

Mr. Helmore makes a point of the different situation of the country which has a convertible currency and the country which does not have a convertible currency. It is true the Article does make that sharp distinction. The reason for it is, of course, very simple. Under the Articles of Agreement with the International Monetary Fund, countries which claim the benefit of Article 14 - that is, the transitional period - or those which obtain the permission of the Monetary Fund under Article 8 of those Articles, are permitted to discriminate in exchange controls. Since they can discriminate in exchange controls, freedom to discriminate in import controls is simply a freedom to use one mechanism as against another mechanism, but those countries already have the permission, under the Bretton Woods Agreement, to have discriminatory exchange controls applying to imports. However, countries which no longer operate under Article 14 of the Agreement with the Monetary Fund and which have not received permission from the Monetary Fund to have exchange controls on current transactions are therefore not permitted to discriminate in exchange operations, since they cannot have restrictions at all. Therefore, in the parallel provision of the I.T.O. Charter, you say you must come and get the prior approval of the Organization in agreement with the Monetary Fund. So the so-called discrimination between

two groups of countries is based upon the history of our present international engagements, to which almost all of the countries sitting around this table have become parties.

Now there are only two ways to eliminate so-called discrimination: one would be to require prior approval of the Organization and the Fund for all countries which want to discriminate and that would be an illusory provision so far as transitional periods are concerned, because those countries could continue to discriminate through the mechanism of exchange controls; or we could eliminate the discrimination the other way, the so-called distinction in treatment, by saying that all countries, whether or not they are under the transitional period of the Fund, may discriminate in their import controls. The latter provision would, of course, ease the situation of those countries which are not claiming the benefits of Article 14 of the Monetary Fund Agreement. But the dangers of having discriminatory import controls, to which Mr. Helmore referred in the latter part of his statement, are very great.

The precise examples which Mr. Helmore gave in his talk a little while ago, it seems to me, are obviously examples of cases in which the International Trade Organization and the Monetary Fund would give the permission if a country asked for the permission. The danger in this field is the type of transaction where the international organizations would not give the approval but a country would nevertheless be free to go ahead on its own initiative and not be required to seek the approval. This is a field in which there are great dangers and this is a field in which the United States has a tremendous interest, because the United States is the favourite candidate. When people suggest discrimination, for being discriminated

against, and the interest of the United States is obviously to minimise the possibilities of discrimination in trade by other countries, lest we be the principal, if not in many cases the sole, sufferer from such discrimination.

Mr. Wilcox made a speech about a week ago - in this Commission, I believe - on the general question of certain proposals, principally those of the New Zealand Delegation, in which he said - and I may say he had in mind the question we are now discussing as well as some of the other questions before the meeting at the time - that quantitative restrictions as such are almost necessarily discriminatory. Whatever provisions you put in in an effort to make them non-discriminatory can never be entirely successful and therefore it has been one of the cornerstones of our policy to attempt to minimise the use of quantitative restrictions and permit them only where absolutely essential, but to go further and say you may not only have quantitative restrictions - which are subject to abuse - but you have permission in the basic document of the Organization itself to discriminate in the use of such quantitative restrictions and to discriminate without first coming to the international organizations and explaining the benevolent aims of the discrimination and explaining that there are no bad consequences to the discrimination.

That is quite another matter and that is a matter on which I cannot see how the United States could agree to unfettered discrimination in the application of import quotas under conditions as they are in the world today.

I may recall that in the Draft Charter submitted by the American Delegation in London there was a specific provision giving complete freedom of the use of inconvertible currencies on hand as at a given date, but if that provision were stretched to say that a country could go on acquiring inconvertible currencies in the future and then discriminate in order to use up the inconvertible currency which it acquires in the future, it is obvious that that kind of operation can result in long-term discriminatory practices, and discriminatory practices, when permitted to two countries, means that the two countries can make an agreement to discriminate in favour of each other and there you have the foundation of bilateral as distinguished from multilateral trade.

The dangers of permitting widespread discriminatory application of import quotas go to the very cornerstone of the whole policy of multi-lateral trade which we are seeking to establish in this Charter. The only way that seemed practical in the long discussions for distinguishing those special transactions which may be necessary in the next few years, because of the peculiar conditions of the world today, and the transactions which will be bad for multi-lateral trade, would be to come to the Organization in collaboration with the Fund and get permission from both, and that was the rule that was written into the London Charter. If we weaken that administrative safeguard, we are weakening the protection against a continuation and a tendency to make permanent the kind of bilateralism that we are seeking to abolish in the International Trade Organization.

Therefore, it seems to me that with the London Draft - I hold no brief for it - we have had criticisms from people at home that it is incomprehensible, we have had criticism from other people at home that it goes much too far, and that it opens the door much too wide for discrimination against the United States by a large number of countries that claim the benefits of Article 14 in agreement with the Monetary Fund. Our answer to that has been that we have already opened that door in agreeing to the Bretton Woods Agreement, but to go any further than the Bretton Woods Agreement in permitting discrimination against the exports from the United States - of course that would be applicable to a lot of other exporting countries, but we are the favourite candidate; we have some friends like Canada who sometimes join us in being candidates for discrimination, and we hope that we will have many other joining us soon - but to go any further would, I think, constitute what Mr. Wilcox referred to in his talk the other day as carrying the Charter beyond the point at which it is aiming - towards multi-lateral trade and non-discrimination - and turn it in the direction of perpetuating discrimination and perpetuating bilateralism.

CHAIRMAN (Interpretation): Gentlemen, who wishes to take part in this very learned discussion?

Monsieur Liedekerke.

M. F. de LIEDEKERKE (Belgium):(Interpretation): Mr. Chairman, we believe that one of the essential principles of the Charter, as far as international trade is concerned, is that of non-discrimination. The Australian amendment tends to suppress one of the principles regulating non-discrimination as it appears in Article 26, paragraph 1(e). Now, it is obvious that some discriminations have to be admitted, and particularly that mentioned by the Delegate for the United Kingdom - oranges of Italian origin - but we do not believe that it would be advisable to have too liberal a drafting of Article 26, paragraph 1(e), which would open the door to too many possibilities of accepting discriminations.

That is why we think that the sub-committee dealing with this part of the Charter should provide for some possible discriminations, but should not have too wide provisions which would enable too many discriminations.

CHAIRMAN: Monsieur Baraduc.

CHAIRMAN: The Delegate of France.

Mr. BARELUC (France) (Interpretation): Mr. Chairman, I wish to reassure you at once that I have no intention of embarking on a long statement, the main reason for that being that I am not^a financial expert, and I would be quite unable to make any such statement.

I think all of us who are gathered here can say that we all agree with the opinion expressed by the United States Delegation, and with the idea which also permitted the promoters of the Charter to challenge the actual principle of non-discrimination, and we know the benefits to be derived from international trade carried on on a multilateral basis.

However, it seems very obvious that this principle is not entirely applicable for countries which have not yet found the possibility of meeting the commitments of Article 8 of the Bretton Woods Agreement, and in this respect I would also agree with Mr. Helmore when he said that even for countries which are at present under balance of payments difficulties, the same difficulty may arise against countries which have an inconvertible currency. I think this was the thought of the experts in London, and I also agree with Mr. Helmore that the provisions of Article 28 do not entirely meet the concerns we had then.

If the French Delegation has put in no Amendments to Article 28, this does not at all mean that she thinks this Article is entirely satisfactory in its present form. We believe that it will be very necessary to re-consider it and may be to ask our experts to re-draft it in order to make it clearer than it is now.

We fully appreciate the importance attached by the United

States Delegation, as well as by the American Congress and public opinion, to the principle of non-discrimination, and we fully realise that the United States dislikes seeing the policy pursued at present by some European countries, and which may seem to be directed as discriminating against the United States. However, I think everybody will agree that the interest of exporters all over the world, and, of course, American exporters, too, is to see a restoration of the normal purchasing power of all countries.

If I may cite an example taken from the policy of my own country, with which I am most familiar, undoubtedly, in respect of some of our European suppliers, such as Belgium, the Netherlands and Switzerland, we have carried on a policy and used methods which are prohibited by Article 27; but, however, we have achieved favourable results - we have restored our pre-War trade channels on an even more satisfactory basis than before the War, and I submit that this would not have been possible if we had kept strictly to the provisions of Article 27.

I would attempt now to raise a question which is of main concern to my British and American friends - with due apologies to them, of course, for raising a matter which pertains to them. I think the experience of the past years has shown that the obligations of the United Kingdom to act according to the provisions of Article 27 has somewhat delayed the restoration of Europe. This, however, is merely an example which I give in order to induce us all to consider this matter more seriously, and to see under what conditions exceptions to the general rule of non-discrimination should be allowed when they can be conducive to favourable results for international trade.

I am confident that whether we agree or not on prior approval finally, we will find some satisfactory solution; but with apologies to the representatives of the International Monetary Fund and the International Bank, I wonder whether it is quite adequate to approach the matter only from a purely financial angle. I believe it would also be necessary to consider it on an economic and even on a political level, because if we have in mind the restoration of Europe - and here again I must apologize to the representatives of non-European countries, but, after all, they also are interested in the restoration of the traditional old European market -

nothing in the Charter should prevent this restoration, which is now in its early stages which will perhaps be on a slightly different basis from that which had been previously contemplated, as a result of the very clever and welcome initiative taken by Washington. However, if we endeavour to apply too rigidly and broadly the non-discrimination principle during the transitory period, this restoration might be very greatly prejudiced and delayed.

Mr. Chairman, I do not wish to enter into any technical details, because I believe that it is up to the sub-Committee to deal with the matter exhaustively and on a technical level; but I believe it is absolutely essential that we find a solution to this problem. Maybe this will be achieved without any great alteration of the text as it stands now, but the French Delegation believes that the sub-Committee should deal with the matter in great detail and very carefully.

CHAIRMAN (Interpretation): Does anybody else wish to speak ?

Gentlemen, the discussion on paragraph 1(e) of Article 28 is closed; but before we pass on to the next paragraph, we have to consider an amendment presented by the Cuban Delegation, proposing the insertion of a new sub-paragraph (d) in this Article. I call upon the Delegate of Cuba.

MR. HERBERT DORN (Cuba): Mr. Chairman, after having heard the explanations of the Delegates of the United Kingdom, Australia, United States and France, I think the Cuban amendment does not need much explanation. It was proposed in the interests of the main purpose of the Charter, to further the expansion of world trade, taking into account the special difficulties, especially of the transition period, which may arise in the case of the exporting as well as the importing countries.

The existing difference of opinion as to the possible exceptions from the equally important principle of non-discrimination will make it necessary to re-examine the exceptions given in Article 28 in the light of the general discussion today, as to whether all of them are necessary, and if they are, whether some special counter-balancing provisions are needed, especially for the time of reconstruction.

I think it will be especially useful to examine, at the same time, whether Article 14 of the International Monetary Fund agreement, which deals with the transitional period, will not be helpful in the light of the views expressed by the Delegate of the United States.

CHAIRMAN (Interpretation): Does anybody else wish to speak?

We pass on to paragraph 2. We find there an Australian amendment. I call upon the Delegate of Australia to present this amendment.

Mr. J.G. PHILLIPS (Australia): Mr. Chairman, we suggest that from this paragraph should be deleted the reference to exchange restrictions on payments and transfers in connection with imports. This provision, as it stands in the draft at present, in effect allows the Organization to disallow exchange restrictions as well as direct import restrictions, and it seems to us that this brings the Organization - or could bring the Organization - into conflict with the International Monetary Fund in a field which is more properly that of the Fund.

As it stands, it would be possible for the Organization to disallow exchange restrictions which had been specifically

approved by the Fund. It would also, of course, allow the Organization to disallow restrictions which, although not specifically approved by the Fund, were operated by a Member in the terms of Article 14 of the Fund agreement.

It may be that such conflict is not very likely; but it does not seem to us that it should be possible, and that, I think, is brought out by the general attitude that Article 29 takes in this matter, where it is clear that the Organization generally would regard the Fund as the appropriate body to deal with exchange restrictions, and would defer to the judgment of the Fund in these matters.

It also produces, incidentally, it seems to us, a very curious result, because in Article 29, paragraph 6, the Organization is bound to seek and accept the opinion of the Fund in relation to action by a Member who is not a Member of the Fund but is acting under a special exchange agreement made in terms of Article 29(3).

It seems, therefore, that on the present wording of this paragraph, it would be possible for the Organization to disallow exchange restrictions which a Member of the Fund was operating with the specific approval of the Fund; but it would not be possible for the Organization to disallow exchange restrictions operated by a country which was a Member of the Organization but not a Member of the Fund. I do not feel that that result can have been intended.

I might perhaps just add that it seems to me that our view here has been rather supported by what the United States Delegate said a little earlier about the reasons for the inclusion of sub-paragraph (ii) and the proviso in Article 28, Paragraph 1 (e). He said then, if I remember his words correctly, that the reason for making a difference there between the country which had convertible currency and the country which had not was that, since a country with an inconvertible currency already had the freedom to use discriminatory exchange restrictions, therefore it was not sensible to require quite the same difficulties in allowing it to use discriminatory import restrictions, which were more or less an alternative method of achieving the same result.

On the other hand, he said that if a country was not free under the Fund to use discriminatory restrictions, then it should not be free to use quantitative restrictions discriminatorily.

What we are doing here with the words in Article 28 (2) is, in effect, taking away from a Member the freedom which the Articles of the Fund give him, and that seems to us undesirable.

I may mention finally that the wording of the clause in any case is rather inappropriate, because it speaks of "If the Organization finds . . . that exchange restrictions . . . are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided under this Article. . .".

Well, there are no exceptions provided under this Article relating to exchange restrictions; but only relating to import restrictions. That is a minor point, I feel.

CHAIRMAN (Interpretation): The Delegate of Belgium,

Mr. F. de LIEDEKERKE (Belgium) (Interpretation): Mr. Chairman, I regret to oppose the amendment of the Australian Delegate, but it seems to me that the effect of that proposal, which is to delete the mention of exchange restrictions on payments and transfer it in connection with imports for the three reasons stated in the comment included in the paper before us, would be to reduce the power of the Organization to take measures against a Member who would not fulfil his obligations under ^{the} Charter, and it seems to me that, if we insert at the end of the paragraph before us, a sentence that in no case shall the Organization enter into conflict with the International Monetary Fund, such a sentence would bring in the necessary safeguards which are desired by the Australian Delegate, and would completely settle the difficulty. In these circumstances, the deletion proposed by the Australian Delegate would become unnecessary.

Mr. J. MELANDER (Norway): Mr. Chairman, the Norwegian Delegation agrees in principle with the Australian proposal for the reasons outlined here.

Mr. J.R.C. HELMORE (United Kingdom): Mr. Chairman, I am not sure that I have got very definite views about this suggestion by the Australian Delegate, although I agree that the questions that have been raised in the note on that amendment should be cleared up. I myself am beginning to be in an even more complete fog about the whole thing than I was before the Australian Delegate spoke, because, if one goes back to the beginning of Section C, Article 25, the first words are: "Except as otherwise provided in this Charter, no prohibition or restriction whether made effective through quotas, import licences or other measures, shall be imposed or maintained by any Member" So we have the words "other measures" there. In Article 26 we are told that we may use these

import restrictions to safeguard the balance-of-payments, and in Article 27 we are told "... no prohibition or restriction (which I take to include other measures) shall be applied..." except on a non-discriminatory basis. Now, in Article 28, we come to the words "... import restrictions or exchange restrictions on payments and transfers in connection with imports" I would suggest that the Sub-Committee endeavours to clear up exactly what it is we are dealing with here. This is a point which was mentioned by the United States Delegate when he replied to my first speech, and when he said that, it is not right that in the United Kingdom the people who defend their balance-of-payments through exchange restrictions are allowed to discriminate, whereas those who defend their balance-of-payments through import restrictions are not allowed to discriminate because that is what is said in the International Monetary Fund Agreement. I am not sure that this is right, and if it were, I do not think I would agree with it. After all, it has happened in the history of mankind before, and I know very well that rights accorded under the international agreements have been given out in the substance of the international agreements in return for the benefits received, and it seems to me that some principle ought to apply here. In other words, what we ought to be aiming at in the Sub-Committee, and that is the point I think I made in my first speech, is that the same conditions ought to apply all round, whatever the instrument for giving effect to them. Discrimination should be allowed, in other words, not by the test of whether a country has convertible currency or not, neither by the test of whether it happens to exercise a defence of its balance-of-payments through import restrictions or exchange restrictions, but according to the need it has and the justification it has for discriminating, and I believe that that is a point that lies behind the Australian dissatisfaction with the wording of this paragraph.

Mr. GEORGE BRONZ (United States): Mr. Chairman, I find myself in entire agreement with Mr. Helmore, in the observations that we should not let discriminatory observations of whether a provision is in one international organization or another deter us from trying to reach the wisest solution to this problem. I hope, however, that the objective we are aiming at is to narrow the area of discrimination in international trade, and subject as much as possible our necessary discriminations to scrutiny by an international body in which all of us will be represented, rather than to use the playing of one document against the other to the end of increasing the field in which individual Members can discriminate without review by the Organization.

CHAIRMAN (Interpretation): Does anybody else wish to speak?

MR. F. GARCIA OLDINI (Chile):(Interpretation): Mr. Chairman, I hope I shall be permitted to raise a question which is somewhat beside the narrow problem now under consideration, and this is, I think, one of the most complicated and dangerous points in this Charter. It seems to me that we are in the presence of a situation where the learned conclusions arrived at in London are being somewhat disturbed by the no less learned conclusions which spring from this debate.

We know that the present position of the world is that vital interests of states may be involved in the problems dealt with in the Charter. We all agree that in certain circumstances Member States will actually apply restrictive measures which, in principle, are condemned by the Charter. Now, we have in the paragraph before us a provision that if a Member State applies such measures and if the Organization, as a result of its consideration, comes to the conclusion that these restrictions are being applied by Members in a 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 discrimination or modify it as specified by the Organization, but it is imperative that the Organization states that the Member has to apply to remove the discrimination or to modify it. But, as I have mentioned previously, vital interests of Member States may be involved, and there may be cases where the Member State concerned considers that it is not in a position to comply with the Organization's injunctions. What will happen in that case? It seems to me that two courses will be open to that Member. It will be possible for it either to

negotiate with the Organization, or to withdraw from it, but nothing is said to that effect in the text of the article itself, and I submit that this problem should be studied by the sub-committee.

CHAIRMAN (Interpretation): Does anybody else wish to speak?

MR. J.G. PHILLIPS (Australia): If I might just say a word, Mr. Chairman, it seems to me that this amendment will probably turn out to be related to the other one that we have (Article 28, paragraph 1(c)) discussed, and the solution of this may very well depend on the solution we came to on the other.

Secondly, I fully agree with the United States Delegate in saying that nothing could be more undesirable than that Members should be encouraged to play off one Organization against another.

CHAIRMAN (Interpretation): We pass on to paragraph 3. The United States Delegation has proposed a new text for this paragraph.

I call upon the United States representative.

Mr. BRONZ (United States): We just propose the elimination of the last phrase of the New York text of the paragraph, which suggests that when the Organisation reviews the exceptions from the rules of non-discrimination after some years of experience, it should review them in the light of the general policy of non-discrimination. The wording at the end suggests the possibility that the review might be directed to questioning the policy of non-discrimination, and we feel that is directed toward the general principles of non-discrimination and that is at least what we had in mind for the general review a few years hence.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. HELMORE (United Kingdom): Mr. Chairman, like the United States Delegation, we do not think these particularly good words. On the other hand, the reasons which have been advanced for their deletion make us feel it necessary to say that we think some phrase will have to be discovered which will take their place.

If the United States had also proposed to delete the words "in any event before 31st December 1951", I think we could have agreed that simple deletion. The paragraph would then have read that when the obligations had been substantially accepted throughout the world, the matter should be reviewed as to the removal of all these discriminations, and it might well be that would be right; but for the countries advancing this Charter to take it on themselves to say that by 31st December 1951 all discriminations will be wrong, when we have admitted that throughout 1948 - 1949 - 1950 some of them may be right, seems to me to be attaching to ourselves altogether too much importance.

I would definitely like the Drafting Committee to look at ~~this~~-again with a view to preserving the central sense of the point of view we put forward; but certainly we quite agree that the actual words themselves are perhaps somewhat unfortunate.

CHAIRMAN: The Delegate of New Zealand.

Mr. WEBB (New Zealand): We would on the whole be against the elimination of the words which the United States Amendment proposes to delete.

We accept the principle of non-discrimination, and we agree with the Delegate of the United States when he says that by and large discrimination is harmful to world trade; but I think from this discussion this afternoon we have seen that there are circumstances in which we have to choose between applying the principle of non-discrimination in its complete rigidity and allowing certain peoples to get supplies of food which they may very badly need; and it seems to us that in a conflict like that there is no question as to what the real objectives of the Charter are: The Charter is concerned with economic welfare above everything.

For those reasons we feel that these words, or some equivalent of these words, should stay where they are.

CHAIRMAN: The Delegate of the United States.

Mr. BRONZ (United States): Mr. Chairman, I just want to explain the reference to December 31st, 1951 in the paragraph. At least, what I had in mind (it is not always safe to report on what a group of people had in mind) was that Article 14 of

Section 4 of the Articles of Agreement of the Monetary Fund provides that five years after the date on which the Fund begins operations the Fund will consult with each Member which still has an inconvertible currency about the continuation of its inconvertible status. Five years after the date on which the Fund began operations will be approximately April, 1952. At the time we had our meeting in London, the Fund had not yet begun operations, and it was impossible to know the precise date.

I think what we had in mind was to get the same date as the five-year date in Article 14 of the Fund, so that at the end of the five-year period, when the Fund is reviewing with each Member the necessity for making transitional arrangements, the Trade Organisation would join with the Fund in a general review of the situation, and that is what we had in mind in this paragraph, and that is why I feel that probably the date should be changed to April, 1952, to coincide with the Fund date in that respect.

CHAIRMAN: The Delegate of Chile.

M. F. GARCIA-OLDINI (Chile) (Interpretation): What seems to me to be grave in this question is not the date itself, but that the United States Delegate says that at a given date all discrimination must be abolished, not because it restricts the expansion of world trade, but just because it is discrimination.

As I have mentioned previously, we are in the presence of a complicated situation, and our position is similar to that of practitioners who try to diagnose the case and to find the best remedies. Now, I think we should do this not only in accordance with rules taught at the University, but also taking into account the relative symptoms of the illness and trying to take full advantage of any possibility of recovery. If we act in another way, we shall simply be intellectuals or doctrinaires trying to apply our doctrines to reality.

As the New Zealand Delegate has rightly pointed out, the aim laid down in the Charter is the well-being of the peoples of the world, and one of the means of achieving that aim is the expansion of world trade; and insofar as discrimination stands in the way of that expansion, we must have regulations against that discrimination. But it was also pointed out that there are cases where discrimination is not necessarily a bad thing from the point of view of international trade, and even cases where trade expands through at least the temporary use of discrimination. Therefore, I think we must not preclude such possibilities, and that the words which the United States Delegate proposes to delete should remain.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. J.R.C. HELMORE (United Kingdom): Mr. Chairman, it is

on so few occasions during this series of debates - in fact, I think I am right in saying on no occasion here in this debate - that we have given the Drafting Committee any lead at all, and I venture to suggest a way in which the views of the United States Delegate and those which have been put forward on the other side, could be reconciled.

It would be by drafting this paragraph on the following lines, provided, first of all, that there shall be a review at whatever the appropriate date is in the spring of 1952, at the same time as the International Monetary Fund is conducting its review; but in that case, all the words after "International Monetary Fund" should be left out, so that there would be no particular need for the Organization or the Fund to seek to eliminate discriminations which were operating under this Article in accordance with whatever rules and safeguards we devise. And then we should go on to provide - because it seems to me this would be in accordance with the true facts - that when convertibility has been generally acceptable (those are the words which occur at the beginning of the paragraph, in slightly different language) there should be a review with a view to the earliest possible elimination of any discrimination.

I think, in that way, we should solve the problem of the dated review, which would simply be a review of the problem in order to put an end to discrimination, once the circumstances that gave rise to it have been cured.

CHAIRMAN (Interpretation): Does anybody else wish to speak on this question?

We shall therefore conclude our discussion on Article 28.

We will now pass on to Article 29 - Exchange Arrangements. We have two amendments in connection with this Article, both presented by the United States Delegation. The first of these amendments pertains to Paragraph 1 of this Article. The second amendment tends to insert a new Paragraph 7. I call upon the United States Delegate.

Mr. G. BRONZ (United States): To reverse the order for a moment, the proposal for a new Paragraph 7 I think we have really discussed here on Monday in connection with the amendment submitted by the Delegation of Czechoslovakia and I am content to leave it to the sub-committee on the basis of the discussion we have already had.

As to Paragraph 1, that divides itself into two parts: the first simply comprises two drafting changes, the changing of the word "competence" to "jurisdiction" in two places in order to get what we feel would be a more accurate representation of the meaning.

The substantial amendment consists of the addition to Paragraph 1 of several sentences dealing with the functions of the International Monetary Fund when it is consulted by the Trade Organization on questions in the general balance of payments monetary reserve and financial field. You will note that throughout Articles 26, 28 and 29 there are a great many references to consultation with the International Monetary Fund. In no place is there any indication of how the consultation should be carried out and exactly what the respective responsibilities should be of the two organizations. It seemed better draftsmanship to omit the multitudinous references to the Fund and instead have one provision in which we would

attempt to clarify precisely what the responsibilities would be.

Here it is our proposal that the International Monetary Fund should have the final word on questions which are essentially financial in nature and essentially within the special field of the fund, particular questions of balance of payments, questions of exchange control and restrictions, questions of monetary reserves, which I think we probably indicated specially in this language, and we may want to re-examine the precise language we have submitted here.

But the important consideration involved here is that these are questions of a highly technical nature. The Monetary Fund has been organized for some time now and has been scouring the world for personnel who are qualified to do the sort of work involved here, and has not found it easy to recruit all the extra personnel they would like to have for these functions. If you had two organizations, each with separate responsibilities for decision in this field and each trying to recruit an adequate staff, you would have bad administration, possible conflict between the two organizations, possibly second-rate staffs in both cases, if there are not - as some people have suggested - enough experts in this field to go round for one organization, let alone for two.

It seemed therefore the wisest course to set forth precisely what fields in connection with these Articles are considered to be within the special abilities of the Fund and to accept the Fund's word as final in these fields, so that the Trade Organization will not feel itself responsible for building up a staff of experts in these fields.

Incidentally, there are a considerable number of drafting changes, which could be made if this amendment is adopted, in cutting out references to the Monetary Fund in many other parts of the Charter.

Mr. E.L. RODRIGUES (Brazil): Mr. Chairman, I am in full agreement with the United States amendment, especially because I see that we cannot have technical uniformity and at the same time we cannot avoid a duplication of staff if we do not try to follow as much as possible the orientation given by the American amendment in the last two sentences. Because of this, I support the United States amendment, and I should like to see it adopted.

Mr. L.C. WEBB (New Zealand): Mr. Chairman, we also are in agreement with the purpose of this amendment. We think that it is most desirable that there should not be any unnecessary duplication of staff between the two Organizations, and if we have any doubts about the amendment, it is rather as to whether actually it best meets the objective of avoiding duplication of staff and generally widening relations between the two Organizations.

I would, for instance, question whether "jurisdiction" is, in this context, a better word than "competence". Jurisdiction implies that we only consult the Fund in matters connected with its actual legal powers, whereas, it seems to me that consultation really should, in certain circumstances, possibly go beyond that, on to any matter on which the Fund has the capacity to advise. For the same reason, I would think that, possibly, ⁱⁿthe phrase "in all cases in which the Organization is called upon to consider or deal with balance-of-payments problems", "balance-of-payments problems" is too narrow. It may not cover such problems as we have been discussing this afternoon, but I am unhappy about the last part of the American amendment in which it is proposed that the Organization should bind itself to "accept the determination of the Fund as to all facts relating to exchange controls or restrictions, as to statistics and as to the analysis of the balance-of-payments position". It seems to us that there are three stages in this process. The first stage is the collection

of facts. The second stage is the interpretation of those facts. And the third stage is action based on interpretation. Now, we think that unquestionably the assembling of the facts is the function, undoubtedly, of the Monetary Fund, but when it comes to the interpretation of facts, we think that it would be unwise there to limit the interpretation to the Fund because, when you come to interpret the statistics relating to balance-of-payments, it seems there that you come to an area where you are dealing not only with matters which are monetary; you are also dealing with matters concerning trade, and it seems to us that that is the point really on which the two bodies of experts come together - the experts of the International Trade Organization and the experts of the Fund - and we think that there should be a joint process of working out the interpretation of the facts.

Finally, when it comes to action, I think we would also be agreed that, as far as action is concerned, clearly it must be the Organization which decides upon the action that is necessary. But it seems to me that the formulation, in the United States amendment, is not a happy one, because it is very difficult to decide what an analysis of the balance-of-payments position may constitute, because, after all, the mere presentation of statistics is really an act of analysis. The analysis starts as soon as you begin to present statistics. The next stage now in view is this process of an interpretation, and as I say that must be a joint process.

CHAIRMAN: Mr. Bronz.

MR. G. BRONZ (United States): Mr. Chairman, I apologise, but I neglected to cover one point in my original statement, and as a matter of fact it relates to the last point made by the Delegate for New Zealand.

The Monetary Fund is receiving from Governments detailed information about their financial situations. A good deal of the information, in the case of many Governments, is given to the Fund on a confidential basis. The Fund has gone to elaborate pains to protect the security of this sort of information, and the Member Governments which have supplied such information, I understand, have been very eager to be sure that the necessary security was preserved with respect to such information.

If the International Trade Organization is to have a responsibility for making an independent analysis of a country's balance-of-payments position, it would be impossible for it to do so without having made available to it all of the detailed and confidential information which is now being supplied to the Fund.

It is obvious that if a second Organization with its staff would have to have access to the same information, the security would be much weaker than if it were restricted to one Organization.

On the other hand, if the International Trade Organization were not to have such information made available to it, it could not make an intelligent judgment on the fundamental questions at issue here. It would therefore seem, for this additional reason, to be desirable that only one Organization be entrusted with the responsibility and confidential information, which will be much more secure than if it becomes necessary to have two Organizations

having access to the same information.

CHAIRMAN (Interpretation): The Delegate of Cuba.

MR. H. DORN (Cuba): Mr. Chairman, as for the first question raised by the Delegate of New Zealand, ^{whether} the word "competence" or "jurisdiction" should be preferred, I may call attention to the fact that this problem comes up many times throughout the whole Charter. I will only quote article 81, entitled "Relations with other Organizations". It says there in the first paragraph, third sentence, "The agreement shall provide for effective co-operation between the two Organizations in the pursuit of their common purposes and at the same time shall recognise the competence of the Organization within its jurisdiction as defined in this Charter". You will also find in paragraph 3 that the competence of the Organization is mentioned there, and you will find the same in paragraph 4.

I think, therefore, that the decision on this question should be left to the Legal Drafting Committee, because it will have all competence to make the necessary resolution;

CHAIRMAN (Interpretation): Mr. Helmore.

MR. J.R.C. HELMORE (United Kingdom): Mr. Chairman, I am not sure that this question of whether we should say "competence" or "jurisdiction" is within the competence of the 'committee of jurists'.

It seems to me that we have first to make up our minds whether we do mean the wider conception or the narrower conception, and when we have made up our minds what we are attempting to say, then we can ask the Legal Drafting Committee to put it into the right words.

It seems to me that there is a real difference here between saying matters within the jurisdiction of the Fund which relates, as I understand it, strictly to the powers the Fund has, whereas matters within the competence of the Fund are matters ^{on} which the Fund, by reason of the subject matter which it deals with, is competent to provide the facts or to express an opinion. As one might say in a Government department at home, which has certain legal powers in relation to a part of its field and no powers in another, certain things are within the jurisdiction of that Government department, but a great many more are within its competence.

As regards the other drafting points on this Amendment which have been raised, I think I would tend to agree with Mr. Webb in his criticism of the use of the word "analysis", though I rather gathered from the second speech by the United States Delegate that he did not mean more by analysis than details of the facts. If that is what is meant, then I think we should be careful to say so, because there is another meaning we might give to "analysis", which is a beginning to draw conclusions from the facts; and it seems to me it would be highly dangerous in a trade matter for the final word to be given to the International Monetary Fund, even on the beginning of the drawing of the conclusions; and that brings me to say that I am extremely sorry to see that after three days on a subject which usually provokes the most violent conflicts between the Treasuries and Ministries of Commerce of our countries, we have at last fallen into the error of provoking a conflict here, because as I understood Mr. Bronz's speech, he implied that Governments would assume that the International Trade Organisation would be as secure as the Fund.

I think it is a great pity that has ever been raised. It is a perpetual trouble at home, and I hoped that we would escape it here. I do not myself believe that Ministries of Commerce, and therefore the International Trade Organisation, are any less able to keep secrets than Treasuries or International Funds.

Subject to those remarks I entirely accept the idea lying behind this Amendment, which I think is careful and practical. It saves a lot of words in the Charter, and may save a lot of overlapping between the Fund and the ITO when both are working.

But I do suggest that the Drafting Committee should look very carefully at the words in the light of the views that have been expressed this afternoon.

CHAIRMAN: The Delegate of Australia.

Mr. J.G. PHILLIPS (Australia): Mr. Chairman, the Australian Delegate believes in the general principle of this amendment, which we think is certainly an improvement on the previous drafting, and contains the valuable suggestion that the Monetary Fund should be primarily competent in matters of statistics and exchange control and such things.

At the same time, we do share the doubts expressed by the New Zealand and United Kingdom Delegations as to just how far the last phrase of the amendment goes. We also would not like to think that the Organization was bound to accept the opinion of the Fund once the question of remedies or of analysis that the New Zealand Delegate mentioned is in question.

Mr. Helmore is right in assuming that Mr. Bronz's last statement meant that the analysis would be confined primarily to facts - we think that is a valuable distinction.

I have wondered, however, whether it meant rather the opposite - that the Organization would be in such a position that it could not itself make an analysis, because it would have inadequate information. If that were the suggestion, I think we would certainly be opposed to it.

There is another point I would like to raise. I am not quite sure whether this is the appropriate moment, Mr. Chairman, but although it is a separate point, it is perhaps related to what we have been discussing.

Article 63 of the Charter deals with Voting, and Article 66, paragraph 5, deals with the procedure to be established in making the determinations under these Articles that we have been discussing, Articles 26 and 28, and also 34 and 35. I

just want to place on record the fact that the Australian Delegation does not regard these Articles 26, 28 and 29 as closed until those other matters are also determined; the voting procedure and the procedure for making determinations under these Articles. Any decisions that are made on those might well have a fundamental effect on these Articles, and I just wish to make that point clear.

CHAIRMAN (Interpretation): The Delegate of Cuba.

Mr. Herbert DORN (Cuba): I do not feel competent to decide a question of ^{the} English language. Therefore I thought it would be wise to have the advice of the legal drafting committee.

If I understood the Delegate of the United Kingdom correctly, he attributes to the word "competence" a larger meaning, but I am not quite sure if up to now the Charter follows this line, saying that agreement with another organization shall recognize the competence of the Organization within its jurisdiction as defined in the Charter. Here the jurisdiction seems to determine the competence and it is only in order to avoid there being a possible misunderstanding that I make this point.

CHAIRMAN: M. Baraduc.

M. Pierre BARADUC (France) (Interpretation): The best French translation for the English term "jurisdiction" is precisely "competence."

CHAIRMAN: Mr. Helmore.

Mr. J.R.C. HELMORE (United Kingdom): Mr. Chairman, could I close this discussion by saying that I consider the phrase which the Cuban Delegate read out to us as a piece of incompetent drafting. (Laughter).

Mr. G. BRONZ (United States): Mr. Chairman, I must take another moment to assure Mr. Helmore that it is unnecessary to rise to the defence of the Ministry of Commerce. I chose my words carefully when I referred to the consideration of secrecy. It is said that you never gain any secrecy by

telling a secret to a second person. The secrecy consideration is important in respect to analysis, and if the information is only available to the Fund it is difficult to see how a second organization could join in an intelligent analysis of the facts if it does not have all the facts. I think this is a matter which the sub-committee should take into consideration.

CHAIRMAN (Interpretation): Does anybody else wish to speak?

M. P. BARADUC (France) (Interpretation): Mr. Chairman, I should like to add a few words on the substance of the United States amendment. We all agree that the United States Delegation is right in pointing out that the Monetary Fund is particularly competent, in the first place, with regard to statistical data relevant to these questions, and in the second place, particularly competent to formulate advisers in these problems. I also agree that recourse to advisers of the Monetary Fund will spare the Organization an unnecessary expert staff which will duplicate the work of the staff of the Monetary Fund. But the text of the American amendment now before us, gives the impression that the Monetary Fund should alone be competent to judge on matters relating to the implementation of the provisions of Article 26. Now, it is true that Article 26 deals with problems which have an important financial aspect, but it is also true that the same problems have an important economic side. I have had recently some conversations with representatives of the Monetary Fund, and I was happy to see that, on the whole, they have as wide a competence in economic questions as in financial questions, but I do not think that it should be our intention that the Organization should be precluded from taking its own decisions on these questions, and should not have the powers to consider any advice which may be given to it.

I should like to recall, as a matter of comparison, that in the practice of several national governments, as for instance in the practice of the French Government, the representative of the Finance Ministry should be consulted on questions of common interest, but it does not mean that the advice given by the Finance Ministry should also be taken as the last word and as the final decision. It seems to me that a similar position will arise on the international plane and that the role of the International Monetary Fund will be, in these cases, similar to that of the Finance Ministry of a national government.

Therefore, I am convinced that this is in conformity with the intention of the United States Delegation, and I am convinced that with some slight amendments the text of the United States proposal will be rendered acceptable by the sub-committee.

CHAIRMAN (Interpretation): Does anybody else wish to speak?

In the circumstances, articles 28 and 29 will be referred to the sub-committee appointed yesterday.

We have a last question to settle, and that is the Chinese proposal concerning a new article after Article 29. I am under the impression that this question has been discussed at the special meetings of the Commission devoted to the problem of under-developed countries, but I should like to have the advice of the representative of China on this question of procedure.

Mr. HSIEH (China): As time is getting on I have only a few words to say in the way of explaining the reason for this proposal on our part. It is, as you know, in line with the great importance we always attach to the question of judicious balance between the interests of the International Monetary Fund and the under-developed countries.

If I have anything to add, it is that during the present Session the result of Charter discussions seemed to us, in many ways to represent a going back on the spirit of the London Session, and also the sittings of the New York Drafting Committee, by tipping the scales heavily against the under-developed countries.

To that extent, of course, they represent a retrograde tendency. There is therefore all the greater reason why this particular proposal on our part should be referred to an appropriate Committee, either the Sub-Committee for Article 29 or some other Committee, and that it should receive the due consideration that it deserves. Thank you, Mr. Chairman.

CHAIRMAN (Interpretation): I propose, Gentlemen, to refer that proposal to the special Sub-Committee on Chapter IV.

Mr. HSIEH (China): Mr. Chairman, I agree to that suggestion.

CHAIRMAN (Interpretation): The Meeting is adjourned.

The Meeting rose at 6.25 p.m.