

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

Corrigendum to Verbatim Report of Twenty-ninth  
meeting of Commission A (E/PC/T/A/PV/29)

The following texts should take the place of the remarks  
of the Delegate of the United States appearing on pages shown  
below:

Pages 16 - 21, inclusive:

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 adhered to 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. 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

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\*Corrigendum 1 was in French only

years before the recent war indicates. But, as I said, I do not want to get too far afield from the precise question at issue.

The sub-paragraph in question, 1 (e) 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 of 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 of 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. 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 Articles of the Monetary Fund and which have not received permission from the Monetary Fund to have exchange controls on current transactions are not permitted to discriminate in exchange operations, since they cannot have exchange restrictions at all. Therefore, in the parallel provision of the I.T.O. Charter, it is provided that the Member 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 this so-called discrimination. One would be to require prior approval of the Organization and the Fund for all countries which want to discriminate. That would be an illusory provision so far as the transitional period is 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 without approval. 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; the danger is that a country would nevertheless be free to go ahead and carry out such a transaction on its own initiative and not be required to seek the approval of an international body. 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. The interest of the United States is obviously to minimize 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. 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 an international organization and explain the benevolent aims of the discrimination and indicate 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 in the use of inconvertible currencies on hand as of 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 multilateral trade which we are seeking to establish in this Charter. The only way that seemed practical in the London discussions for distinguishing these 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 multilateral 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 of and a tendency to make permanent the kind of bilateralism that we are seeking to abolish in the International Trade Organization.

I am not entirely satisfied with the London Draft. 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 which claim the benefits of Article 14 of the Articles of Agreement of the Monetary Fund. Our answer 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 such a provision 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 others 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 multilateral trade and non-discrimination, and turn it in the direction of perpetuating discrimination and perpetuating bilateralism.

Page 32:

Mr. GEORGE BRONZ (United States): Mr. Chairman, I find myself in entire agreement with Mr. Helmore in the observation that we should not let doctrinal considerations as to whether a provision is in the charter of 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 any necessary discriminations to scrutiny by an international body in which all of us will be represented, rather than to permit the playing of one document against the other to the end of increasing the field in which individual Members can discriminate without review by any Organization.

Page 35:

Mr. G. 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 Organization 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. We feel the review should be carried out in the light of the general principles of non-discrimination. That at least is what we had in mind for the general review a few years hence.

Pages 36 and 37:

Mr. G. 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 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 individual Members the necessity for continuing transitional arrangements, the Trade Organization would join with the Fund in a general review of the situation. 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.

Pages 40 and 41:

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 field of 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 draftmanship 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, and questions of monetary reserves. The latter I think we neglected to indicate specifically in this language, and we may want to re-examine the precise language 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, and has not found it easy to recruit all the expert 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.

Page 44:

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 situation. 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 the 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. 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.

Page 50:

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 Ministries of Commerce. I chose my words carefully when I referred to the consideration of secrecy. My point simply was 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 without all the facts. I think this is a matter which the sub-committee should take into consideration.