REPORT
OF THE FIRST SESSION
OF THE PREPARATORY COMMITTEE
OF THE
UNITED NATIONS CONFERENCE
ON TRADE AND EMPLOYMENT
TABLE OF CONTENTS

PART I

INTRODUCTION ............................................................ 3

PART II

CHAPTER I.—Achievement and Maintenance of High and Steadily Rising Levels of Effective
Demands, Employment and Economic Activity ........................................... 4

Section A.—Relation of Employment to the Purposes of the Organization ................. 4

Section B.—The Maintenance of Domestic Employment ..................................... 4

Section C.—The Conservation of Domestic Resources and Productivity .................. 4

Section D.—Fair Labour Standards .................................................................. 4

Section E.—The Removal of Obstacles in the Balance of Payments ....................... 5

Section F.—Safeguards for Countries Subject to External Deflationary Pressure ........ 5

Section G.—International Action to Maintain Employment .................................. 5

Section H.—The Functions of the Economic and Social Council and the Specialized Agencies .. 6

Section I.—The Form of the Employment Provisions ....................................... 6

CHAPTER II.—Industrial Development .................................................... 6

Section A.—Development of Economic Resources ............................................. 6

Section B.—Adaptation of Economies .......................................................... 7

Section C.—Conditions of Industrial Development .......................................... 7

Section D.—Supplies ...................................................................................... 7

Section E.—Technology and Training ............................................................ 7

Section F.—Mutual Responsibilities .................................................................. 7

Section G.—Markets and Protection .................................................................. 8

Section H.—Nature of Protection ...................................................................... 8

Section J.—Allocation of Functions .................................................................... 8

CHAPTER III.—General Commercial Policy .................................................... 9

Section A.—General Most-Favoured-Nation Treatment, Tariffs and Tariff Preferences, etc .. 9

Section B.—General Commercial Provisions (except Most-Favoured-Nation Treatment) — Exceptions .. 11

Section C.—Quantitative Restrictions and Exchange Control ............................... 11

Section D.—Insurmountable Barriers ............................................................... 11

Section E.—State Trading ................................................................................ 17

Section F.—Relations with Non-Members ......................................................... 18

CHAPTER IV.—Restrictive Business Practices ................................................. 18

Section A.—Policy Towards Restrictive Business Practices ............................... 18

Section B.—Procedure with Respect to Complaints and Conferences .................... 18

Section C.—Studies Relating to Restrictive Business Practices ............................ 18

Section D.—Obligations of Members ................................................................ 18

Section E.—Supplementary Enforcement Arrangements .................................... 19

Section F.—Continued Effectiveness of Domestic Measures against Restrictive Business Practices .. 19

Section G.—Exceptions to the Provisions of this Chapter ................................... 19

Section H.—General Observations ................................................................... 19

CHAPTER V.—Inter-governmental Commodity Arrangements ............................... 19

Section A.—General Considerations ............................................................... 19

Section B.—Inter-governmental Commodity Arrangements in General .................. 19

Section C.—Inter-governmental Commodity Arrangements Involving the Regulation of Production, Export, Import or Prices .................................................... 20

Section D.—Miscellaneous Provisions .............................................................. 21

CHAPTER VI.—Establishment of an International Trade Organization .................... 21

Section A.—General Observations ................................................................... 21

Section B.—Purposes of the Organization ......................................................... 22

Section C.—Membership and Functions ............................................................ 22

Section D.—The Conference ........................................................................... 23

Section E.—Voting and Executive Board Membership ....................................... 23

Section F.—The Executive Board—Procedure, Powers and Duties ...................... 23

Section G.—The Commissions ......................................................................... 24

Section H.—The Secretariat ............................................................................. 25

Section I.—Miscellaneous Provisions ............................................................... 25

APPENDIX

Charter of the International Trade Organization of the United Nations .................... 27

Annexure to the Charter .................................................................................. 42

ANNEXURES

1. Resolution of the Economic and Social Council Regarding the Calling of an International Conference on Trade and Employment .............................................. 42

2. List of Participants in the N.Governmental Committee, of Representatives of Members of the United Nations not Members of the Preparatory Committee and of Inter-governmental and Non-governmental Organizations ........................................... 42

3. Agenda of the Preparatory Committees ........................................................ 42

4. Rules of Procedure ....................................................................................... 45

5. Resolution Concerning the Second Session of the Preparatory Committee ........ 47

6. Resolution Regarding the Appointment of a Drafting Committee .................. 47

7. Resolution Regarding the Negotiation of a Multilateral Trade Agreement Embodying Tariff Concessions ................................................................. 47

8. Resolution Regarding Industrial Development ............................................. 47

9. Resolution Relating to Inter-governmental Consultation and Action on Commodity Problems Prior to the Establishment of the International Trade Organization .. 48

10. Multilateral Trade Agreement Negotiations—Procedures for Giving Effect to Certain Provisions of the Charter of the International Trade Organization by Means of a General Agreement on Tariffs and Trade Among the Members of the Preparatory Committee .................................. 48

11. United States Draft Charter ......................................................................... 52
PART I

INTRODUCTION

1. At its First Session, held in London in February, 1946, the Economic and Social Council, on the motion of the representative of the United States of America, adopted a Resolution constituting the Preparatory Committee of the International Conference on Trade and Employment. The Resolution, after stating that the Council considered it essential that co-operative economic measures already taken be supplemented by further international measures dealing directly with trade barriers and discriminations which stood in the way of an extension of multilateral trade and by an undertaking on the part of nations to seek full employment, called an International Conference on Trade and Employment for the purpose of promoting the expansion and production, exchange and consumption of goods. The Resolution entrusted to the Preparatory Committee the task of elaborating an annotated draft agenda, including a draft convention for consideration by the Conference, and suggested certain topics to be included in the agenda of the Preparatory Committee.

2. At the Second Session of the Economic and Social Council held in New York the Secretary-General of the United Nations announced on 31 May, 1946, that arrangements were being made for the Preparatory Committee to meet in London on 15 October.

3. The First Session of the Committee convened in Church House, Dean’s Yard, London, on 15 October, 1946, and concluded on 26 November, 1946. Notifications of the convening of the Preparatory Committee had been sent by the Secretary-General to eighteen members and all members, except the Union of Soviet Socialist Republics, signifying their intention of attending. The Union of Soviet Socialist Republics felt unable to participate in the work of the Committee at this stage as it had not at that time found it possible to devote sufficient preliminary study to the complex and far-reaching questions which were the subject of the Committee’s discussions.

4. Certain Members of the United Nations, which are not members of the Preparatory Committee, sent official representatives to observe the proceedings of the First Session. Representatives of certain inter-governmental organizations attended the First Session and participated in proceedings. Some non-governmental organizations also sent representatives to the First Session and these representatives gave the Preparatory Committee the benefit of these organizations’ views on certain questions.

5. Before attempting to outline the work accomplished at the First Session, it is desirable to emphasize that this was a ‘preparatory’ committee the task of which is to prepare an annotated agenda for an international conference and that it is only at the final stage, that is at the Conference, that governments will enter upon binding commitments. However, it is clear that a thorough discussion by the officials of a large number of the world’s principal trading nations in advance of the Conference will greatly facilitate the work of the Conference itself. This conception of the task of the Preparatory Committee is essential to a full understanding of the nature and significance of the Report which follows.

6. The early meetings of the Preparatory Committee were devoted to a general consideration of the agenda and the organization and conduct of the Committee’s business. The discussion of the agenda resulted in the addition to it of first, the question of an international agreement relating to industrial development and second, the question of the inclusion in an appropriate international agreement of an undertaking to promote high and steadily rising levels of effective demand. At a later stage in the work of the First Session, certain delegates expressed the view that questions relating to services, in addition to those relating to goods, should be discussed. However other delegates were doubtful whether the terms of reference of the Preparatory Committee would permit such discussion.

7. The Committee decided that the detailed examination of the varied items of the agenda should be entrusted to a number of working committees, which are described below, and that the work of these committees would be facilitated if their proceedings were conducted in private. On the other hand, the Committee was anxious that public opinion should be kept fully informed through the press and the Secretariat was, therefore, directed to make arrangements for frequent press conferences and eventually to publish the Report of proceedings.

8. The following working committees were established by the Preparatory Committee:

   b. Committee II: General Commercial Policy.
   d. Committee IV: Inter-governmental Commodity Arrangements.
   e. Committee V: Administration and Organization.

A sixth committee, the Joint Committee on Industrial Development, was established following a joint meeting of Committees I and II. In addition to these working committees an informal committee of heads of delegations met from time to time during the First Session and provided the general guidance and steering required for the efficient conduct of the Committee’s business.

9. The officials of the Preparatory Committee at its First Session were:

   a. Chairman: H. E. Dr. Wassar Wunsh (China).
   b. Vice-Chairman: Mr. S. D. Pierce (Canada).
   c. Committee II:
   d. Chairman: Dr. H. C. Coombs (Australia).
   e. Vice-Chairman: Dr. A. B. Speakman (Netherlands).

   f. Joint Committee on Industrial Development:
   g. Chairman: Mr. H. S. Malik (India).
   h. Vice-Chairman: H. E. Dr. Wassar Wunsh (China).
   i. Committee III:
   j. Chairman: M. Pierre Dieterlen (France).
   k. Committee IV:
   l. Chairman: Mr. J. R. C. Helmore (U.K.).
   m. Vice-Chairman: Mr. Melander (Norway).

   n. Committee V:
   o. Chairman: Mr. Lyun R. Edminster (U.S.).
   p. Vice-Chairman: Mr. Helio de Burgos Cabal (Brazil).

10. The various working committee gave detailed consideration to the appropriate sections of the agenda, using as a basic document the draft Charter for an International Trade Organization submitted by the delegation of the United States, together with documents submitted by other delegations including, inter alia, a Draft Charter submitted by the delegation of Brazil, a detailed commentary on the United States proposals submitted by the delegation of India, a memorandum on employment policy submitted by the delegation of the United Kingdom and other documents.
PART II

CHAPTER I

Achievement and Maintenance of High and Steadily Rising Levels of Effecrive Demand, Employment and Economic Activity

SECTION A

The Relation of Employment to the Purposes of the Organization

1. In order to maintain international trade at high and stable level, it is necessary to maintain a high and stable level of demand for goods and services throughout the world in order to achieve a reduction in trade barriers. At the same time full and productive employment and the maintenance of high and stable levels of effective demand cannot make their maximum contributions to raising standards of living without the reduction of harmful trade barriers.

2. It is a main purpose of the United Nations, recognized in Article 55 of the Charter of the United Nations, to promote "higher standards of living, full employment, and conditions of economic and social progress and development." Some discussion took place as to the meaning to be attached to the phrase "full employment." In the less industrialized countries whose economies are more essentially based on primary production, a sufficient demand shows itself not so much in mass unemployment (the common form in industrialized countries), as in under-employment or unprofitable employment among their primary producers. For this reason the main objectives of employment policy were defined to include the avoidance of under-employment as well as of unemployment.

3. It was pointed out that if the phrase "full employment" were to be interpreted in the literal sense, namely that no one able and willing to work should ever be unemployed for however short a period, governments might be committed to types of action which they would not in fact be prepared to carry out. It should, of course, be open to any government to adopt as strict an interpretation as it desires, but for the present purpose, it seems appropriate to interpret "full employment" as a state of affairs in which useful employment opportunities are available to all those able and willing to work. It is the maintenance of such a condition and of the high and stable level of demand associated with it which is of real concern from the international point of view.

SECTION B

The Maintenance of Domestic Employment

The Preparatory Committee considers that governments owe a responsibility not only to their own citizens but also to the citizens of other countries to do all that is within their power to maintain full and productive employment and high and stable levels of demand within their own territories. A decline of demand in an important country, by reducing imports from other countries or by causing a burdensome surplus in world markets of commodities, which it was previously producing for its own consumption, is liable to lead to the spread of unemployment or under-employment outside its borders. For this reason governments should agree to take action designed to achieve and maintain full and productive employment of their domestic labour and high and stable levels of effective domestic demand. The type of measure which might be taken for this purpose should, of course, be left to the individual governments concerned, which must be free to choose the measures which are appropriate to their own domestic conditions. This measure should be unfettered, although, of course, it is recognized that the measures chosen should be compatible with the other purposes and provisions of the Charter of the International Trade Organization.

SECTION C

The Development of Domestic Resources and Productivity

Full employment of labour in any country is not the sole condition which, in addition to other factors such as the level of trade barriers, determines the level of effective demand on the part of that country for the products of other countries. A country, which fails to develop its resources effectively or which fails to take every opportunity to raise the productivity of its labour, will, in effect, be failing to expand to the maximum its effective demand for goods and services. Accordingly all governments should recognize that they have a common interest in the productive use of the world's resources, and should agree to take action designed progressively to develop their economic resources and to raise their standards of productivity. Here again the choice of measures should be left to the government of each individual country, provided that the measures chosen are compatible with the other purposes and provisions of the Charter of the International Trade Organization.

SECTION D

Fair Labour Standards

1. It is considered desirable that the effect of any employment is to make its due contribution to the higher standards of living and conditions of economic and social progress to which Article 55 of the Charter of the United Nations refers. It is necessary that a fair share of the product should accrue to the workers. All countries have a common interest in the maintenance of fair labour standards, particularly in the case of production for export, since otherwise one country's products may be undercut by those of another in which labour is unfairly exploited. Labour standards cannot, of course, be uniform in all countries, but must be related to national productivity. But the committee was of the view that governments should agree to take whatever measures necessary to eliminate sub-standard conditions of labour in their production and to ensure, in their production and to ensure, in their production and for export, that these standards are at least maintained.

* See Annexure 17.
† See Annexure 20.
2. A few delegates expressed some doubt whether an agreement on this subject should be included in employment provisions. These doubts were based on two grounds:

(a) It would be wrong to attempt to set too high a standard in certain countries, since this would seriously handicap the expansion of production in those countries which, having plenty of supplies of labour but relatively little capital equipment or industrial skill, must for a time base their development on lower remuneration than that in more developed countries.

(b) Since the International Labour Organization is the specialized agency which has been specifically charged with this problem, it would lead to a duplication of functions to include an agreement on this subject in the Charter of the International Trade Organization.

3. On point (a) the Preparatory Committee agreed that, if any agreement on labour conditions is included in the employment provisions, it must be made clear that there cannot be any single comprehensive standard of fair labour conditions applicable to all countries, but that the standard must in each case be related to the productivity of the country concerned.

4. On point (b) it was generally agreed that the main work on this question should continue to be carried out by the International Labour Organization, and that, if any agreement on this subject is included in the Charter of the International Trade Organization, those countries, which are also members of the International Labour Organization, should co-operate closely with that organization in carrying out the agreement. The reason for proposing that some agreement on this subject should, nevertheless, be included is that labour standards in any country, and in particular in its production for export, are a matter which widely affect the employment of labour and the flow of international trade.

SECTION X
The Removal of Maladjustments in the Balance of Payments

1. The Preparatory Committee considers that a country, even though it is maintaining full employment at home, developing its economic resources and raising its standard of living, must maintain fair labour standards, may, nevertheless, exercise a deflationary pressure upon other countries. This will be so if it is persistently buying from abroad and investing abroad too little in relation to its exports. Indeed its export surplus may be the means whereby it is maintaining its own domestic employment.

2. It was not suggested that countries, which are experiencing difficulties through unfavourable balances of payments, may not themselves be partly responsible for the maladjustment. For example, countries with adverse balances of payments, whose difficulties are being intensified by flight of capital from their currencies, might properly be called upon to put a stop to such capital export. But instead of pressure on their balances of payments is due to the failure of countries with excessively favourable balances of payments to spend their external purchasing power on imports or to utilize it for productive investment abroad, the main responsibility for the necessary re-adjustment should not fall on the country which is in surplus, but upon the country which is in deficit.

3. In the Preparatory Committee there was wide support for the view that where fundamental disequilibrium in a country's balance of payments involved other countries in persistent balance of payment difficulties, which affected adversely the maintenance of employment in those countries concerned, there should be a contribution to action designed to correct the maladjustment. The particular measures that should be taken depend on the circumstances. For example, the stimulation of imports or the removal of special measures to exports, or the appreciation of the country's exchange rate, an upward revision of its internal price and cost structure, an increase in foreign investment, etc., should, of course, be left to the government concerned to determine. The problem hinges in a sphere in which the International Monetary Fund has a very special concern, and it is most desirable that in this field both the international and the national measures be co-ordinated and the International Trade Organization should co-operate fully with the Fund.

SECTION Y
Safeguards for Countries Subject to External Deflationary Pressure

1. After further consideration of the position of countries whose economies are subjected to deflationary pressure as a result of a sudden or abrupt decline in the effective demand of other countries, the Preparatory Committee concluded that there must be adequate safeguards to meet this country's needs.

2. In this connection it was noted that the Articles of Agreement of the International Monetary Fund contain, for members of the Fund, some important safeguards:

(a) The provisions relating to exchange control permit the control of capital exports so that no country suffering from an external deflationary pressure need find its troubles intensified by flight of capital from its currency.

(b) A country, which finds itself in a "fundamental disequilibrium" as a result of the maintenance of its own domestic prices, costs and incomes in conditions of external deflation, can apply for an appropriate depreciation of the exchange value of its currency and such a depreciation could not be frustrated by competitive depreciation on the part of other members of the Fund, which are not in a "similar fundamental disequilibrium." In this regard it was noted that the Executive Directors of the International Monetary Fund have interpreted the Articles of Agreement of the Fund to mean "that steps which are necessary to protect a member from unemployment of a chronic or persistent character, arising from pressure on its balance of payments, are among the measures necessary to correct a fundamental disequilibrium."

(c) If a country or group of countries has so large an export surplus that its currency becomes scarce in the Fund, other members of the Fund may be permitted to restrict their purchases of it to the necessary degree without restricting their purchases from each other.

3. The Preparatory Committee is of the opinion that the Charter of the International Trade Organization should also contain adequate safeguards. It was proposed that countries in balance of payments difficulties should be permitted to impose quantitative restrictions on their imports, and it was recognized that this would constitute an important safeguard of the type in question. It is suggested that when these safeguards are discussed, all relevant parts of the Charter of the International Trade Organization should be carefully examined to ensure that there are adequate safeguards for a country subjected to pressure as the result of a decline in the effective demand of other countries.

4. It was generally felt that the clauses relating directly to employment should give general recognition to this need for adequate safeguards by requiring the International Trade Organization to carry out the functions as defined in the other articles of the Charter, to the need of countries to maintain, within the provisions of the Charter, to safeguard their economies against deflationary pressure in the event of a serious or abrupt decline in the effective demand of other countries.

SECTION G
International action to maintain employment

1. In present circumstances the direct action necessary to maintain full and productive employment should be taken by Governments which in a period of effective demand decline, or for individual national efforts. Nevertheless there are certain balances which the appropriate inter-governmental organizations might, acting within their respective spheres and consistently with the terms of their basic instruments, make some direct contribution to the maintenance of employment and the stability of world demand.

2. It is considered that the Economic and Social Council, in consultation with the appropriate inter-governmental organizations, might usefully study the possibilities in this field. In addition to a consideration of the effects of employment and production of a lowering of barriers to trade, such studies might cover such measures as the synchronization of credit policies so as to ease terms of borrowing over a wide area in times of general deflationary pressure, measures to promote stability in the incomes, and so in the buying power, of producers of primary products, the timing of expenditure on international capital projects and the encouragement of a flow of capital in periods of world deflationary pressure to those countries whose balance of payments need external support in order to enable them to maintain their domestic policies for full and productive employment.
SECTION II

The Functions of the Economic and Social Council and the Specialized Agencies

1. The international structure, which may be necessary to achieve these employment objectives, was considered: Effective action in this sphere will involve separate action by governments and by a number of inter-governmental organizations. Yet such action must be properly concerned, if the national and international measures for offsetting a general depression are to be properly timed and of the right magnitude.

2. The Preparatory Committee considers that there should, accordingly, be some international body under whose sponsorship governments and inter-governmental organizations can consult with a view to concerted action to maintain employment, and the appropriate body for this purpose would seem to be the Economic and Social Council of the United Nations, together with its Economic and Employment Commission and its sub-commissions, to whom this task has already been entrusted.

3. The functions, which, it is thought, the Economic and Social Council should either perform itself or sponsor through arrangements with the appropriate inter-governmental organizations, cover

(i) The regular collection, analysis and exchange of relevant information and

(ii) The organization of consultation with a view to concerted national and international action in the field of employment.

In addition to these continuing functions, it was considered the Economic and Social Council might initiate those studies of possible direct international action for the maintenance of full employment to which reference has been made in paragraph 2 of Section G.

4. The work, which it is suggested, the Economic and Social Council and the inter-governmental organizations concerned might undertake on this subject will be of great importance. The information which is to be collected should, as far as possible, cover the level and composition of the national income and expenditure and of the balance of payments, as well as statistics of employment, unemployment, production, etc. As far as is appropriate and practicable, it should cover future prospective and possible future trends in order that the needs of employment policy may be intelligently anticipated. Close regular consultation for concerted action by governments and inter-governmental organizations will be necessary in order to see how far national policies (e.g. for expenditure on public works) or any relevant international policies can be timed so as to make their most effective joint contribution to the maintenance of world demand.

SECTION III

The Form of the Employment Provisions

1. The Preparatory Committee holds the view that the suggestion that the Economic and Social Council should continue to fulfill these general functions in employment policy need not conflict with the special link that should exist between employment and trade. Governments may find it difficult to assume the commercial obligations of the International Trade Organization in the absence of undertakings by others to do their best to maintain a high and stable level of effective demand and employment policies must not conflict with commercial obligations. It is necessary for these reasons to link the trade obligations and the employment obligations closely together. Accordingly it is considered it would probably be most appropriate to establish an Employment Undertaking in the Charter of the International Trade Organization.

2. It is thought, however, that there is one aspect of employment which should probably be treated differently. In paragraph 2 of Section G, it is suggested that the Economic and Social Council and the appropriate inter-governmental organizations should be invited by the United Nations Conference on Trade and Employment to consider what action might be taken in the international field to assist in maintaining full and productive employment and a high and stable level of world trade. It is thought that this invitation might best be extended in a separate resolution. A draft of this resolution for the consideration of the Conference on Trade and Employment is set out in the next paragraph.

3. Text of Draft Resolution on International Action Relating to Employment

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

CONSIDERING that a significant contribution can be made to the achievement and maintenance of full and productive employment and of high and stable levels of effective demand by international action sponsored by the Economic and Social Council in collaboration with the appropriate inter-governmental organizations, acting within their respective spheres and consistently with the principles and purposes of their basic instruments,

HEREBY ASKS the Economic and Social Council to undertake at an early date, in consultation with the appropriate inter-governmental organizations, studies of the form which such international action might take and suggests that, in addition to covering the effects on employment and production of a lowering of barriers to trade, the studies of the Economic and Social Council should include a consideration of such measures as:

(a) The concerted timing, to the extent which may be appropriate and practicable, of measures to influence credit conditions and the terms of borrowing;

(b) National or international arrangements, in suitable cases, to promote due stability in the incomes of producers of primary products, having regard equally to the interests of consuming and producing countries;

(c) The timing, to the extent which may be appropriate and practicable, of measures to influence employment policy, of capital expenditure on projects which are either of an international character or are internationally financed;

(d) The promotion, under appropriate safeguards, of an international flow of capital in periods of world deflationary pressure to those countries whose balance of payments on current account is difficult to maintain.

SECTION IV

The Development of Economic Resources

1. The Preparatory Committee feels that there should be a clear recognition in the Charter of the International Trade Organization that the progressive development of economic resources in all parts of the world is not only desirable in itself as a means of raising living standards in particular countries, but is also desirable as a means of expanding the volume of world trade, thus benefiting all countries interested in international commerce. Improvements in standards of production and real income in a country contribute to the achievement and maintenance by that country of high and rising levels of effective demand for goods and services in general, thus enhancing the capacity of that country to participate in world trade.

CHAPTER II

Industrial Development

The development of economic resources will also have desirable social consequences by expanding the range of useful employment opportunities. It is, therefore, desirable that there should be progressive development, especially in those countries whose industries at present are inadequately developed relative to their potential.

2. In parts of the world the development is not only desirable in itself as a means of raising living standards in particular countries, but is also desirable as a means of expanding the volume of world trade, thus benefiting all countries interested in international commerce. Improvements in standards of production and real income in a country contribute to the achievement and maintenance by that country of high and rising levels of effective demand for goods and services in general, thus enhancing the capacity of that country to participate in world trade.
3. It is desired also to draw attention to a matter of
interest to all countries, namely, the early economic re-
establishment and industrial restoration of those countries
whose economies have suffered from the direct impact of
war. These countries have resources so real and important
to the rest of the world that their temporary disappear-
ance or decline has been followed by difficulties in parts
of the world far removed from the theatres of war. Their
economies are in many cases those of already well-
developed countries and are ready for relatively rapid re-
establishment which will put them in a position to make
available to other countries materials, equipment and other
manufactured products, which will be needed for economic
development. In these countries there are qualified tech-
nicians and experienced artisans already accustomed to
modern industrial technology and ready to undertake the
great diversity of occupations involved. Once restored
these war-devastated countries will be in a position to
contribute to technical progress and to the raising of pro-
ductivity and living standards. It is believed, therefore,
that measures should be taken to facilitate a rapid return
in the devastated countries to the development interrupted
by the war and that this will be helpful to the rapid and
sound development of other countries.

SECTION B

Adaptation of Economies

1. As the less developed countries progressively under-
take the production of a wider range of commodities for
their domestic markets, it is likely that the more highly
developed economies, which formerly supplied the markets
of the less developed countries, will be faced with problems
of adapting their economies to the changed circumstances.

These problems will be minimised, both in degree and
duration, if countries are careful to ensure that their
development programmes are soundly based and carried
out. The Preparatory Committee suggests that only in this way
will the developing country make its most effective contribution to its own economic welfare and
to international trade, and only thus will the more highly
developed countries be able to adapt their economies with
maximum development.

2. On the other hand there will also be problems of
adjustment facing the developing countries. These
problems will be mainly associated with the transfer of
workers from agriculture and other primary industries
as the productivity of labour in such industries increases,
to manufacturing and other branches of expanding economic
activity. This transfer may involve a geographical redistri-
bution of population with all its attendant problems, as
well as problems of occupational training and retraining.

SECTION C

Conditions of Industrial Development

In any country the conditions of the industrial develop-
ment of economic resources include capital, capital goods
and materials markets, an adequate technology, managerial
skill and technicians and trained artisans is sufficient num-
ers. When any of these conditions are unsatisfied, inter-
national and domestic action may be taken to modify the
cumbersome international action may be such as to
facilitate the supply of capital, capital goods and materials,
to provide skilled management, trained technicians and
adequate engineering education. Individual countries
may take action to plan and carry out development projects
to raise standards of industrial management, and
to provide for the training of their own nationals as
technicians and artisans, and subject to international
obligations, they may also be the use of protective
measures at providing a reasonable share of the home
markets to the commodities being produced in their
own territories.

SECTION D

Provision of Capital

1. Capital may be needed by a country to modernise and
improve the technology of existing industries, to expand
existing industries or to establish new ones. It may also
be needed to improve or increase the supply of public
utilities such as transport and communication services,
water and power supplies. While projects of the latter
character are essential to progressive development, they
may not be immediately or directly remunerative, and
international action may be all the more necessary, if the
supply of capital is to be adequate.

2. The Preparatory Committee feels that the inter-
national supply of capital is particularly necessary
to the less developed countries and to the countries which
have suffered from war. The channel for this supply may
be through private investors, through government agencies,
or through the International Bank for Reconstruction and
Development. In view of the importance of industrial
development to expansion of world trade, it is felt that all
members of the International Trade Organization should
recognise that they have a responsibility to contribute
within the limits of their power to do so with appropriate
international organisations in ensuring that there is a
regular flow of capital to those countries in particular which
have limited capital resources. The International Trade
Organisation shall itself participate in discussions with its
own members and with other international organisations
regarding proposals to this end. In addition it is felt that
members should undertake not to place any unreasonable
impediments in the way of other members having access
to capital.

3. A country embarking on a programme of develop-
ment involving substantial imports of capital goods may
be faced with the possibility of balance of payments diffi-
culties. It is considered that if at any time a country
anticipates that such difficulties are imminent, it should
be permitted to impose qualitative regulation of its imports
so that the appropriate balance may be kept between its
imports of capital and consumer goods. Naturally such a
regulation of imports will only remain necessary while the
prospect of balance of payments difficulties remains.

SECTION E

Supplies

In all countries there will be a demand for capital
equipment and materials of all kinds arising from pro-
grammes of production and development. For most
countries, including those which are actively promoting
their industrial and general economic development, this
demand can only be satisfied by obtaining supplies of one
kind or another from other members. The Preparatory
Committee is of the opinion that members of the
Organisation should recognise that they have an
obligation to other members to refrain from placing un-
reasonable obstacles in the way of supply of capital goods
and materials of all kinds needed by other members with
its obligations, of course, would be undertaken subject to
the other provisions of the Charter. For example, where
special shortages exist they may be supplied, particu-
larly in the early post-war transitional period, such
countries would be free to apply restrictions i the manner
provided in Article 25 of the Charter. In com-
stances, however, it is hoped that they would take into
account the needs of other countries, and hold such
restrictions to a minimum.

SECTION F

Technology and Training

One of the most important ways in which industrial
development can be speeded throughout the world is
through the dissemination of knowledge concerning
techniques of production, particularly in countries at
present inadequately developed relative to their potential.
This can be achieved in part by national and international
action to make such information available to those (by
considerations of national security), knowledge of new
developments in all countries resulting from changing
technology and scientific advance in individual countries
may take action to plan and carry out development projects,
to raise standards of industrial management, and
to provide for the training of their own nationals as
trained technicians and artisans, and subject to international
obligations, they may also by the use of protective
measures at providing a reasonable share of the home
markets to the commodities being produced in their
own territories.

SECTION G

Mutual Responsibilities

In the carrying out of programmes of industrial and
general economic development, therefore, the promotion
of interdependence between the less developed and the more
highly developed countries. In relation to the international
supply of facilities for economic development, including
capital funds, capital goods and materials, equipment, advanced technology and trained personnel, the Preparatory Committee is of the opinion that all countries should recognize that they have mutual responsibilities. It has already been noted that countries in a position to supply these facilities should impose no unreasonable impediments that would prevent other countries from obtaining access to such facilities. It is equally important, however, that countries receiving such facilities should treat the supplying countries, including their business enterprises and citizens, in conformity with the provisions of any of their relevant international obligations and, in general, that they should take no unreasonable action injurious to the interests of the supplying country.

SECTION II
Markets and Protection
1. As a general rule newly established industries depend, initially at least, upon domestic markets for the sale of their products. The Preparatory Committee is of the opinion, therefore, that where necessary members desiring to promote industrial development should have or should be able to obtain a reasonable freedom to employ protective measures so that an adequate portion of their local markets may be assured to the commodities concerned. However, since an unreasonable restriction on any country for the purpose of promoting industrial development places an undue burden on the economy of that country and imposes unwarranted restrictions on international trade, it is desirable that countries promoting development should not make immediate use of such protective measures.
2. The use of dumping policies by other countries might be particularly harmful to countries wishing to carry out a programme of development or reconstruction. However, special action will be recommended later to provide against this contingency.
3. Since the comparative development of member countries is uneven, and since the levels of existing tariffs are unequal, it is considered that account should be taken of these factors by members generally in any tariff negotiations and by the Organization should it be called upon to determine whether a country has fulfilled its obligations with respect to such negotiations.

SECTION III
Nature of Protection
1. Considerable attention was devoted to the question of the kind of protective measures which might be used for promoting development. It was generally recognized that the Charter provides a substantial measure of freedom to all members and that it also permits the use of tariffs in those cases where tariff rates are not bound against increase as a result of agreements voluntarily negotiated by prospective members as contemplated in connection with the Charter. Discussion of this problem was, therefore, related principally to the means whereby a member might obtain a limited release from obligations assumed in the course of such negotiations with other members and freedom to the extent contained in the Charter governing the use of forms of protection other than subsidies and unbound tariffs.
2. It has been concluded that such releases should be granted in appropriate circumstances and the procedure, which is described in paragraph (3) of Article 13 of the Charter, has been agreed. Sub-paragraph (b) of that paragraph covers a situation in which permission is sought to raise a tariff that had been bound as a result of negotiations with other members, or in which it is desired to impose some other form of protection that is otherwise not permitted by the Charter and that would impair the value to other members of an agreement negotiated with respect to tariffs. The somewhat simpler procedure indicated under sub-paragraph (c) provides for cases in which release is sought from obligations assumed by ratification of the Charter and such release would not impair the result of prior tariff negotiations. Particular attention was given to the possible use of quantitative regulation of imports as a protective measure. The Preparatory Committee is of the opinion that, subject to the suggested procedure, there is no reason why an industry or sector which would place a lighter burden on the country giving the protection and where it would be less restrictive of international trade than would be the case with other forms of protection.
2. One delegate felt that quantitative restrictions should be recognized as a means of giving protection which could be used at any time in the early stage of industrial development by a member deeming it absolutely necessary, subject only to the consent of any other member to continue to the Organization if each member felt that any instance quantitative restrictions were being used unjustifiably. The paragraph was set forth in accordance with regard to paragraph (3) of Article 13 of the Charter.
3. A second delegate expressed concern at what he regarded to be the complicated and lengthy character of the procedure. He recommended the omission of paragraphs (c) and (d) of Article 13. He felt the suggested procedure might make it difficult for under-developed countries to obtain a release, particularly to use quantitative restrictions. In those cases in which quantitative restrictions are no more restrictive than alternative forms of protection, he would urge that the procedure adopted by the Organization be less cumbersome, providing for release on the basis of criteria established by the Organization, without requiring prior consultation with other members. Although realizing the evils of quantitative restrictions, he believed their use for protection should be provided specifically in the Charter. However he did appreciate the compromise that had been reached in this matter and did not at this stage propose any amendments, although reserving his position.
4. Despite the proposal, set out in paragraph (9) of Article 13, namely that the Organization should be empowered to give a release in appropriate circumstances to a member in respect of any obligations under the Charter, one delegate felt that there should be more specific provision for the use of regional preferential arrangements as a means of giving protection and reserved his position on this point.

SECTION IV
Allocation of Functions
1. Careful consideration was given to the question of how the international functions relating to industrial development can best be carried out and to the part which the International Trade Organization should play there. It is clear that the International Trade Organization must exercise functions relating to industrial development at least insofar as measures of commercial policy are employed to foster such development. From the point of view of the purposes of the Charter and the effective working of the International Trade Organization, there are strong arguments for empowering the Organization to perform certain positive functions in relation to industrial development, particularly in the provision of technical aid to members in the formulation and execution of plans for development. Accordingly there has been included in the Charter a tentative provision which, if adopted, would enable the International Trade Organization within its competence and resources to provide such aid.
2. This task, because of its essentially administrative character, would be appropriate to a specialized agency, and its performance by the International Trade Organization might provide a useful means of positive co-operation with members. Furthermore it would provide the personnel of the Organization with continuous experience of the positive as well as the protective aspects of national development policies and so assist them in maintaining the balanced point of view which will be essential to the free exercise of the discretion which the Charter entrusts to the Organization.
3. The Preparatory Committee is aware, however, that this problem is one of wide scope and outside the limited purposes of the present discussion. The Preparatory Committee is of the opinion that, subject to the suggested procedure, there is no reason why an industry or sector which would place a lighter burden on the country giving the protection and where it would be less restrictive of international trade than would be the case with other forms of protection could be used at any time in the early stage of industrial development by a member deeming it absolutely necessary, subject only to the consent of any other member to continue to the Organization if each member felt that any instance quantitative restrictions were being used unjustifiably. The paragraph was set forth in accordance with paragraph (3) of Article 11 of the Charter.
and to advise whether the inclusion of paragraph (3) of Article 11 is consistent with the Council's views.*

5. In view of the fact that there are many factors other than those directly relating to the International Trade Organization, which require to be taken into consideration in this matter, the Preparatory Committee keeps the hope that those of its members, which are not also members of the Economic and Social Council, may be invited to submit views at the time the Council is considering these matters.

CHAPTER III

General Commercial Policy

SECTION A

General Most-Favoured-Nation Treatment, Tariffs and Tariff Preferences, etc.

1. Most-Favoured-Nation Treatment

(a) The Preparatory Committee is in agreement with the principles

(i) that members of the International Trade Organization should grant each other general unconditional most-favoured-nation treatment in respect of all customs matters; and

(ii) that existing preferences, which are of long standing and which have important effects on the economies of the countries concerned, should be excepted from the most-favoured-nation clause pending their elimination by negotiations pursuant to the provisions of Article 18 of this Charter.

(b) The most-favoured-nation provisions set forth in Article 8 of the United States Draft Charter were compared with the standard most-favoured-nation clause developed by the League of Nations for inclusion in bilateral agreements. It was concluded that there were no important differences of substance between the two versions and that the version incorporated in Article 8 was preferable because of its brevity.

(c) The most-favoured-nation clause recommended by the Preparatory Committee incorporates certain concepts (for example "the like products", "country of origin", etc.) which have been customarily included in commercial agreements in the past but which have never received a precise definition. The Preparatory Committee is of the opinion that the matter of defining such concepts should be left for study by the International Trade Organization after its establishment.

(d) The principal differences between the text of Article 8 of the United States Draft Charter and of that recommended by the Preparatory Committee, and the reasons for these differences, are as follows:

(i) Under paragraph 1 of Article 8 of the United States Draft Charter the grant of most-favoured-nation treatment extends to: firstly, the awarding of governmental contracts for public works and secondly, to the purchase by governments of supplies for governmental use (i.e. not for resale); Under the revision recommended by the Preparatory Committee these subjects are removed from the scope of the most-favoured-nation clause.

(ii) The Preparatory Committee is of the opinion that the granting of public works contracts is more closely related to the question of the treatment of foreign nationals and corporations than to the treatment of the trade in goods. It is considered that Chapter V of the Charter should be confined to matters affecting trade and that questions relating to the treatment of nationals, etc., should be the subject of future agreements developed under the auspices of the International Trade Organization as contemplated under paragraph (3) of Article 6r of the Charter. Under this paragraph as well as under Article 75, the International Trade Organization could recommend the adoption of special agreements dealing with public works contracts.

(iii) The commitment regarding governmental purchases of supplies for governmental use was removed from the scope of the most-favoured-nation clause because a suitable clause dealing with such governmental purchases of functions related to industrial development, to give due weight to the considerations set forth above

* See Annexure 8.
(ii) One delegate while recognizing that the proposed negotiations to be conducted on a reciprocal and mutually advantageous basis and that the obligations undertaken pursuant to such negotiations would be subject to renegotiation by the International Trade Organization in accordance with the principles and procedures set forth in Chapter IV (Economic Development) and particularly questioned the application to countries in the early stages of economic development of the principles set forth above that tariffs should be reduced substantially.

(iii) Another delegate suggested that the rules governing the negotiations should take into account the relative levels of the tariffs of each country in the light of the position of those countries which are in the early stages of industrial development. While making this suggestion, the delegate indicated his willingness to raise with the Government the question whether the principles and procedures recommended in Chapter IV (Economic Development) do not adequately meet the requirements he wished to see satisfied.

(b) Scope of Negotiations

(i) Under paragraph 1 of Article 18 of the United States Draft Charter the proposed negotiations would extend to tariffs on imports and exports and import tariff preferences. In the revision prepared by the Preparatory Committee the scope of the negotiations has been broadened to cover charges on imports and exports other than tariffs. The additional charges such as duties and fees are intended to mean charges analogous to tariffs; they are not, for example, intended to include non-discriminatory internal taxes which are collected at the time of importation.

(ii) The reference to negotiations regarding state-trading margins, which appears in paragraph 1 of Article 18 of the United States Draft Charter, has been omitted from the revised text. It was believed that undertakings to negotiate with respect to such margins, in the manner specified in the case of tariffs and preferences, were adequately provided in the revision. (Article 18.)

(c) Rules Governing Negotiations

(i) Certain drafting changes were suggested with regard to the following negotiations so far as paragraph 1 of Article 18 of the United States Draft Charter. Firstly—Sub-paragraph (e) provides that "Prior international commitments shall not be permitted to stand in the way of action with respect to tariff preferences." It was agreed that the intention lying behind this provision could be more clearly expressed as follows: "Prior international commitments shall not be permitted to stand in the way of negotiations with respect to tariff preferences, it being understood that action resulting from such negotiations shall not require the modification of existing international obligations except by agreement between the contracting parties or, failing that, by termination of such obligations in accordance with their terms." Secondly—Sub-paragraph (b) provides that negotiated reductions in most-favoured-nation tariffs should operate automatically to reduce or eliminate margins of preference in effect on July 1, 1939. In view of the impracticability of establishing a common base date for negotiating preferences, the revision recommended by the Preparatory Committee omits any reference to a base date to be used in applying this rule. Three delegates thought that the rule should not operate automatically, but that members should be free to negotiate for a reduction in the preferential rate as well as in the most-favoured-nation rate, provided that the margin between the preferential rate and the most-favoured-nation rate was smaller than that existing on a (prior) date to be agreed upon. Thirdly—An additional rule has been included, as sub-paragraph (c) of Article 24, which provides that during the negotiations the binding or consolidation of low tariffs or of tariff-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high tariffs or the elimination of tariff preferences.

(ii) The Preparatory Committee also considered the question whether a rule should be included in Article 18 of the United States Draft Charter to the effect that the elimination of quantitative restrictions (as defined in Article 29 that Charter) on the one hand, and the binding of preference-free treatment on the other hand, should be considered consonant in equal value to the reduction of tariffs or the elimination of preferences. It was agreed that since preference-free treatment and quantitative restrictions were to be done with under general rules incorporated respectively in Article 14 (Most-Favoured-Nation Treatment) and Articles 23 to (Quantitative Restriction) of the revised text, they could not properly be included in the rules governing selective tariff negotiations.

(d) Withholding of Tariff Benefits from Members of the Organization Which Fail to Carry Out Obligations for the Reduction of Tariffs and Elimination of Preferences

Several changes were made in paragraph 3 of Article 18 of the United States Draft Charter.

(i) Paragraph 3 provides that the International Trade Organization may authorize a member to withhold tariff reductions from another member which "failed to negotiate" as required by paragraph 1. Under the revision the Organization can authorize withholding for failure to negotiate" in accordance with the rules laid down in paragraph (1)." (i.e., in sub-paragraphs (a), (b) and (c) of paragraph (1).) Thus, for example, a country having low tariffs cannot be accused under paragraph (3) of failure to negotiate adequately because of unwillingness to reduce its tariffs substantially. Also, under the revision, a member can bring a complaint before the Organization in the event of another member failing to consider reductions of high tariffs in return for bindings of low tariffs.

(ii) Under paragraph 3 of the United States Draft Charter the witholding of tariff benefits by members is restricted to tariffs reductions effected pursuant to negotiations under paragraph 1. Under the revision members are authorized to withhold any tariff benefits, including bindings, granted pursuant to negotiations. The purpose of this change is to ensure that low tariff countries (which may not have granted many tariff reductions) will not be placed in an unfavourable bargaining position in dealing with members of the Organization which may be reluctant to carry out the obligations of paragraph (1) of Article 24.

(iii) Language has been included in paragraph 3 of Article 24 to assure that the Organization, in determining whether a member has unjustifiably failed to negotiate adequately as required by paragraph 1, will take into account the situation of the member under the Charter as a whole, including Chapter IV of the Charter (Industrial Development).

3. Emergency Action in Respect of Imports of Particular Products

(a) The Preparatory Committee considers that members of the Organization, in the event of unforeseen developments and of injurious effects on their trade caused by or threatened by reason of the obligations laid down in Chapter V (including tariff or preference concessions) should be permitted to withdraw or modify the obligations to the extent and in the manner necessary to offset the injurious effects. The Preparatory Committee agreed that this right should be subject to adequate safeguards and to the possibility of counter-action by other members in the event of the abuse of the right.

(b) Three basic changes have been incorporated in the revision of Article 34 of the United States Draft Charter. (i) Language has been inserted in paragraph (3) of the revision (Article 34) which makes it clear that members invoking the Article may withdraw or modify concessions in respect of preferences as well as in respect of tariffs and obligations regarding quantitative restrictions.

(ii) A provision has been included under which members may, in critical and exceptional circumstances, modify or withdraw concessions under the Article, on a provisional basis, without prior consultation, including other interested members of the Organization, provided that consultation is undertaken immediately following upon the taking of the action.

(iii) Two delegates questioned the desirability of permitting action under the Article without prior consultation even in emergency circumstances. One of these delegates also proposed that if action without prior consultation was permitted to a member, immediate counter-action by other affected members should also be permitted.
mitted, without the delays involved in obtaining the permission of the International Trade Organization to take such action.

(b) Provision has been made to assure that, ordinarily, counter-action taken under Article 34 will not be disproportionate to the provoking action. At the same time the Organization is authorized to permit severe counter-action in cases of abuse of the privileges granted by the Article.

4. Consultation—Nullification or Impairment.

(a) The Preparatory Committee agreed that members of the International Trade Organization should stand ready to request in good faith another regarding any matter affecting the operation of the provisions of Chapter V of the Charter relating to trade barriers. It was also agreed that any member should be entitled to request the Organization to set aside any obligations under Chapter V, and that the Organization should be authorized to set aside such obligations, in the event of any situation arising, whether or not caused by action of another member, which would nullify or impair any object of the Charter. If a member is adversely affected by obligations being set aside, it should be entitled to withdraw from the Organization on such short notice as it could reasonably require.

(b) Under Article 39 of the United States Draft Charter a member can be authorized by the Organization to suspend to the member seeking the release of obligations under Chapter V only in the event of the second member being found to have taken some action (whether or not in conflict with Chapter V) which nullified or impaired an object of Chapter V. Under the revision any action by a member which develops or any situation situation, which impaired or nullified any object of the Charter (including any object set forth in Chapter III (Employment)) can be an occasion for the lodging of a complaint with the Organization. The Organization can make recommendations to the general concern and, in serious cases, release any member (and not merely the complaining member as originally) from its obligations under Chapter V. Members adversely affected by the suspension of obligations on the part of another member are entitled to withdraw from the Organization on short notice.

(c) Two types of cases will illustrate the action which may be permitted under the revision (article 39) but which is precluded under the United States Draft Charter.

(i) A member may seek, and obtain from the Organization, a release from its obligations under Chapter V on the ground that its economy is suffering from deflationary pressures caused by the lack of effective demand for its goods abroad (possible impairment of the objects of Chapter III). In such cases it is contemplated that the Organization, before granting any such release, will consult with the Economic and Social Council of the United Nations or with other inter-governmental organizations, to determine whether some other remedial action is not open to the member seeking the release.

(ii) A member importing a particular product may be released from appropriate obligations under Chapter V in order to adjust competitive conditions between two exporting countries (for example, in cases in which one of the exporting countries is deliberately exploiting sub-standard labour contrary to the objectives of Chapter III). Also, the request for such a release may be made by one of the exporting countries (in the example above the exporting country salting from unfair competition caused by sub-standard labour in the other exporting country) rather than by the importing country.

5. Territorial Application of Chapter V—Customs Unions—Frontier Traffic.

(a) The Preparatory Committee was in agreement that the provisions of the Charter regarding trade barriers should apply to each of the customs territories under the jurisdiction of members, that an appropriate exception to these provisions should be made for advantages accorded to facilitate frontier traffic, for advantages incident to the formation of a customs union and for new preferential arrangements approved by the Organization under paragraph (a) Article 66 and that suitable definitions of customs territories and customs unions should be included in Chapter V.

(b) In addition to certain drafting amendments, the following changes were made in Article 33 of the United States Draft Charter:

(i) That Article provides that Chapter V shall not prevent the union for customs purposes of any customary territory and any other customs territory. Under the revision this exception extends to "the formation of a union for customs purposes, etc." thus permitting measures which may represent a transitional stage towards a customs union.

(ii) A new paragraph has been added which recognizes that new preferential arrangements (for example, tariff of a regional character) may in exceptional circumstances be justified and make it clear that the Organization will be authorized to approve such arrangements under paragraph (a) of Article 65 of the Charter.

(c) Two delegates made reservations with regard to preferences of regional character. One of them stated that such preferences have an intrinsic value by themselves and should not be subject to the procedure provided in paragraph (a) of Article 65.


(a) The Preparatory Committee has prepared a report setting forth procedures to be followed in connection with the negotiations regarding tariffs and preferences to be conducted among its members pursuant to Article 24 of the Charter and in accordance with its resolution of November 26, 1946.

(b) It is believed that the text of this report is largely self-explanatory. It may be noted, however, that the paragraph which points out the importance of avoiding new tariff measures which would tend to prejudice the proposed negotiations, is not, of course, a legally binding obligation such as might prevent countries from introducing tariff changes regarded as urgent.

(c) With regard to the proposal in the report that the tariff agreement for the purposes of the Preparatory Committee should be unilateral in form and in legal terms, it is suggested that agreements or agreements limited to a small group of countries the benefits of which are generalized under the system would be preferable because they might be more easily revised when necessary.

SECTION B

General Commercial Provisions (except most-favoured-nation treatment)—Exceptions.

1. A substantial degree of agreement among the members of the Preparatory Committee was reached on questions of the principle underlying these provisions. However, as was to be expected, there were numerous differences of opinion, and a number of reservations were made on account of national variations in the practice of detailed administration.

2. Complete reconciliation of views was not possible to the extent that agreed texts for insertion in the Charter could be prepared within the time at the disposal of the Preparatory Committee. A greater degree of unanimity might have possible if more time had been available. In addition many of the delegations' suggestions were merely drafting points and it was felt that these should be dealt with by the Drafting Committee.

SECTION C

Quantitative Restrictions and Exchange Control

1. General Elimination of Quantitative Restrictions

(a) There was wide agreement with the proposal for a general rule against the use of import and export restrictions and prohibitions, the rule being subject to exceptions permitting the use of restrictions in specified circumstances and under specified conditions.

(b) The Preparatory Committee agreed that during a post-war transitional period it should be permissible to use such restrictions to achieve the equitable distribution of goods in short supply, the maintenance of war-time price control by countries undergoing shortages as a result of the war, and derivative measures that bilateral tariff pluses of government-owned ships and of industries, which were set up owing to the exigencies of war, but which it would be unecoic to maintain in normal times. These last two exceptions would be subject to consultation with other interested members and all these exceptions would be limited to a specified post-war transitional period, which might, however, be subject to some extension in particular cases.
There was wide agreement for an exception to the general rule against export restrictions or prohibitions so as to be a country to take temporary action to relieve critical shortages of foodstuffs or other essential products. The principle was accepted for an exceptional use of restrictions to apply standards of classification and grading of commodities in international commerce, subject to safeguards against their misuse for the purpose of disguised protection.

Consideration was given to the suggestion that there should be an exception permitting import restrictions on agricultural or fisheries products to accompany measures restricting the domestic production or sale of like products and to remove a temporary domestic surplus by means which involved selling that surplus at prices below the current market price to certain groups of domestic consumers. There was wide agreement for the view that a clause on these lines was desirable but two delegates proposed that, in order to give similar protection to agricultural or underdeveloped countries, the exception should not be confined to agriculture and fisheries products. One delegate on the other hand, took the position that the exception should cover only agricultural products. There was a wide agreement for the view that any supplies of the product which were on route at the time domestic surplus notice was given of the restrictions should not be excluded, though they might be counted against any quotas in the importing country. It was generally agreed that this point should be covered in this Article unless it were already adequately met in Article 34.

It was suggested that restrictions imposed under this exception should not be imposed on seasonal commodities at a time when similar domestic products were not available and it was generally agreed that this suggestion might usefully be further considered at the Second Session of the Preparatory Committee.

The suggestion was put forward by some delegates that the exception in the case of agricultural products should be widened by permitting restrictions on imports without restrictions on home production so as to maintain domestic prices at a level sufficient to cover domestic costs of production or so as to enable a domestic surplus to be cleared. It was suggested that this could be accomplished by deleting the last three sentences of sub-paragraph (c) of Article 25. However, it was felt by other delegates that such proposals would extend the scope of this provision to an undesirable degree.

Some delegates put forward the suggestion that the wording of the exception in the case of agricultural products should be changed so that the words "for instance" would be inserted after the words "to remove a temporary surplus of the like domestic product". Other delegates felt that this suggestion would permit an undesirable expansion of the exception and, therefore, opposed the suggestion.

There was general agreement that restrictions or prohibitions on private trade might be imposed in order to protect the position of state-trading enterprises operated under state articles and that import and export quotas imposed under inter-governmental commodity agreements concluded under the Charter might be used.

The suggestion was also made that it should be permissible to use import restrictions, under proper safeguards, as an antidumping measure in those cases of interrelated dumping in which import duties did not provide a suitable instrument of control. After consideration it was generally agreed that as far as the establishment of new industries are concerned, the position should be sufficiently covered by the provisions of Article IV. In respect of the threat of interrelated dumping to established industries, there was wide agreement with the view that the position was probably already adequately covered under Article 34 but one delegate remained uncertain whether this was in fact the case.

It was suggested that export restrictions should be permitted for those commodities even if there were not restrictions on domestic consumption, as required under paragraph 7 of Article 35 of the United States Draft. The delegate was of the view that such an exception, unless subject to sufficient safeguards, might be cases in which such action would be unacceptable, the view was widely expressed that such an exception, unless subject to sufficient safeguards, might be cases in which such action would be unacceptable.

Some delegates announced that, because they thought the procedure laid down in sub-paragraphs (a) and (c) of Article 13 of Chapter IV (Industrial Development) needed further examination, they might propose an additional to paragraph (a) of Article 25 to include another exception in the following terms: "Import restrictions for the purpose of economic development as a protective measure provided that they are less restrictive in their effect than other forms of protection and production and that they are in conformity with the criteria laid down for the purpose by the Organization. Other delegates, however, considered that the procedure laid down was appropriate.

The Preparatory Committee considered the question of the treatment of certain existing preferential arrangements which were established under international agreements but not under the General Agreement on Tariffs and Trade in order to stabilize the value of the country's balance of payments in the present circumstances of international trade. It was recommended that any such arrangements would be dealt with by a proviso in a protocol to the Charter or (pending the conclusion of the Charter) to the General Agreement on Tariffs and Trade to the effect that the member applying these arrangements shall be entitled to continue them or equivalent measures, pending (i) an arrangement under Chapter V. if the members concerned desire that the product should be made the subject of such arrangement, or (ii) some other arrangement regarding the matter between the members concerned.

It was agreed that only a very limited number of commodities fell under this heading and that the countries concerned should establish the facts about them so that the above recommendation could be taken into account in the forthcoming negotiations. It was further recommended that the concessions or lack of concessions in respect of the items concerned would, for purposes of assessing the results of the negotiations, be counted against import restrictions or lack of concessions in respect of particular tariff or preference items.

2. Restrictions to Safeguard the Balance of Payments

(a) The Preparatory Committee considers that it should be permissible for a country to restrict imports when such restriction is necessary to safeguard its external financial position, particularly in view of the fact that in many cases there will be domestic employment, reconstruction, development or social policies which result in increased demand for imports. It was recognized that in many cases policies of internal reconstruction and development might be an essential factor in restoring equilibrium to a country's balance of payments on a sound and lasting basis.

(b) Consideration was given to the best method of ensuring that such a safeguard should be available for the protection of a country's external financial position without giving freedom for cover for domestic or other restrictions. It is thought that countries should undertake to observe certain conditions on the use of such import restrictions, and that, since the fundamental objective is to safeguard a country's external financial position, these principles should be based upon movements in the
country's monetary reserves. Import restriction, it was suggested, should only be newly imposed or intensified in so far as was necessary to stop or to forestall the imminent threat of a serious decline in monetary reserves or, in the case of a member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

(c) There are, however, many factors to which due regard must be paid in interpreting any such rules. There may be special non-recurring movements of funds affecting a country's reserves, a country may have special credits outside its monetary reserves which it might be expected to use to forestall or meet and at a proper rate to meet a strain on its external position, a country which has high reserves may, nevertheless, have high future commitments or probable strains upon its resources to meet in the near future. All such factors will have to be taken into account in interpreting movements in a country's reserves.

(d) It is generally agreed that there should be an undertaking to remove or to relax restrictions on the same general principles, as a country's external financial position improved.

(e) It was also generally agreed that, in order to avoid unnecessary damage to the commercial interest of other members, any restrictions imposed to safeguard a member's external financial position should not be carried to the point of total exclusion of any particular class of goods.

(f) Consideration was given to the relations which should exist between members and the Organization in order to ensure that members should, on the one hand, not be able to abuse the application of import restrictions on these grounds, but should, on the other hand, have some certainty that they could apply them when necessary. It is considered that for these purposes, there will need to be arrangements for consultation between the members and the Organization, for complaint to the Organization, and ultimately for the Organization to recommend the withdrawal or modification of restrictions if these are being improperly applied.

(g) In this whole process of consultation, review and recommendation, the Organization, it is recognized, will have to keep in closest contact with the International Monetary Fund. The Fund is the specialized agency which deals with the financial aspects of balance of payments problems and the use of import restrictions to safeguard the external financial position of members can only be properly considered by the Organization if, at every stage, it is in a position to participate in its consultations.

(h) It was widely agreed that a first stage in this process should be consultation as to the nature of a country's balance of payments difficulties, the various corrective measures which may be available and the possible effects of such measures on the economies of other members. It is thought that a member, which was considering the imposition of restrictions for the first time, should be able to undertake such consultations before imposing the restrictions. In a stage in which previous consultation is impracticable, should undertake such consultations as soon as possible after imposing the restrictions. The Organization should, it is generally thought, be able to initiate consultations with any member which is already imposing restrictions on these grounds, and should, in any case, always initiate such consultations with any member which, on its own initiative, substantially to intensify its restrictions. It is generally thought that the Organization should, within two years of its institution, review all restrictions existing at its institution and subsequently maintained on the grounds of safeguarding members' external financial positions.

(i) Many members, which may find it necessary to impose restrictions to safeguard their external financial position, may wish to obtain some security that the restrictions which they are applying or intend to apply will not be challenged or that if their external position becomes sufficiently difficult, they will be able to impose restrictions which will not be challenged. For this reason it was generally agreed, a member should have the right to obtain the Organization's previous approval of restrictions which it was already applying or intending to apply, so that it could not be challenged by another member when it applied them. It is generally considered that such previous approval should relate only to the general extent, degree and duration of the restrictions and should not prevent another member thereafter from bringing a complaint to the Organization that the restrictions were being applied in a manner which unnecessarily damaged its commercial interests.

(j) Similarly, a member may seek the previous approval of the Organization, not in relation to any actual restriction which it is already applying or intending to apply, but in relation to the contingent future conditions which, if they occur, will justify it applying restrictions. For example, it may be agreed between the member and the Organization that the member cannot in any circumstances during an agreed period be reasonably expected to allow its monetary reserves to fall below an agreed figure.

(k) The Preparatory Committee considers that it should be open to any member to bring a complaint to the Organization that another member is applying restrictions when they are unnecessary to safeguard its external financial position or that it is doing so in a way which is unnecessarily damaging the commercial interests of the complaining member. In this case the Organization, if it is satisfied that the complaining member has made out a prima facie case that its commercial interests are adversely affected, should consider the complaint. It should have power after consultation with the International Monetary Fund to recommend the withdrawal or modification of the restrictions and if the member in question fails to withdraw or modify them accordingly, such other members of the Organization will be released from such obligations towards the member in question as the Organization may specify. The Organization should, however, not be able to recommend the withdrawal or general relaxation of restrictions pursuant to it having given previous approval for them, nor should it be able to do so on the grounds that the member's external financial difficulty could be avoided by a change in the member's domestic employment, reconstruction, development or social policies.

(l) It was generally agreed that a member imposing restrictions on balance of payments grounds should be permitted to select imports for restriction in any way as to promote its domestic employment, reconstruction, development or social policies, in accordance with its own judgment as to the essentiality of the products concerned.

(m) The Preparatory Committee agreed that if there were a persistent and widespread applying of restrictions on these grounds, there should be a procedure whereby the Organization in consultation with the International Monetary Fund, should initiate discussions with members to consider whether other measures might not be taken by the countries with favourable or unfavourable balances of payments or by the Economic and Social Council of the United Nations or any appropriate intergovernmental organization to remove the underlying disequilibrium.

(n) The Preparatory Committee is of the opinion that the principles and procedures for restricting imports under private trade to safeguard a member's external financial position should be applied mutatis mutandis to the restriction (to a greater extent that would otherwise be permissible) of imports by a state-trading organization. It should, however, be provided that the disclosure of information, which would hamper the commercial operations of such a state-trading organization, would not be required.

(o) There was general agreement that the view that in the early years after the war the Organization, in carrying out its functions, should pay due regard to the difficulties of post-war adjustment with which the members would be confronted in varying degrees.

(p) It is to be noted that under sub-paragraph (c)(6) of Article 26 a country can apply quantitative import restrictions to anticipate the imminent threat of a serious decline in its monetary reserves. Moreover it is there suggested that in interpreting this principle due regard should be had to any commitments or other circumstances which may be affecting a country's needs for reserves. It follows that any relaxation which might result from this serious decline in its reserves and which has heavy external payments to meet in the near future, can protect its external financial position by import restrictions.

(q) In paragraph (1) of Article 26 it is recognized that 'members may need import restrictions as a means of safeguarding their external financial position . . . particularly in view of the generalized demand for a sustained recovery needed to carry out their domestic . . . development.'
policies "and in sub-paragraph (a) of the same Article it is laid down that "the Organisation . . . shall not recommend the withdrawal or general relaxation of restrictions on the grounds that the existing or prospective balance of payments difficulties of the member in question could be avoided by a change in the member's domestic . . . policies . . . ." Thus it is clear that a member cannot be required to modify its domestic development . . . policies . . . so that a member can, if necessary, restrict the import of consumer goods without restricting the import of capital goods.

(v) In paragraph (a) of Article 26 it is expressly laid down that "A Member may not impose restrictions for the purpose of excluding or reducing the imports of one or another Member with a view to promoting its domestic development . . . ."

(c) This Article will, however, prevent a member from applying restrictions if its foreign exchange resources are sufficient for it to finance all types of imports. In other words, the member will be permitted under Article 26 to restrict only to the extent necessary to safeguard its monetary reserves. Up to this point it will have to admit imports of one class or another. Members will also be under an obligation not to apply any restrictions of a selective character in a manner which unnecessarily damages the commercial interests of other members.

(i) Many of the problems which have been examined in connection with this Article and with Articles 26 and 28 are necessarily of very direct concern to the International Monetary Fund and, to a lesser extent, to the International Trade Organization. Trade restrictions applied to safeguard external financial resources will inevitably be of common interest to the International Trade Organization and to the International Monetary Fund. In particular, since it is generally agreed that trade restrictions should be avoided whenever possible, the question arises of the possibility of alternative means under the procedures of the Fund and the Bank for meeting a disequilibrium in balances of payments.

(a) In considering these problems the Preparatory Committee has been much helped by the benefit of the views of its representatives from the Fund and the Bank. It is generally felt that it would be of great assistance to the work of the Preparatory Committee if the Fund and the Bank could be invited to study Articles 26, 28 and 29 with a view to putting their considered opinions on these issues before the Second Session of the Preparatory Committee.

(v) One delegate suggested to the Preparatory Committee that there should be amendments providing for (a) broadening the criteria under which restrictions could be imposed for balance-of-payments reasons, (b) eliminating the prohibition against complaints by members against such restriction maintained by other members, and (c) the use of quantitative restrictions as a means for creating favourable conditions for the industrial development of an economically undeveloped country. It was generally agreed that these proposals are not yet ripe for consideration. The Preparatory Committee confirmed that the reservations expressed in sub-paragraphs (iii) and (iv) of Article 29 remain in force.


The Preparatory Committee considers that there should be a general rule for non-discrimination in the use of quantitative restrictions, but that there are certain necessary exceptions to this general rule.

(b) In applying the principle of non-discrimination to import restrictions, it is thought that the following representation of a desirable set of principles which should also apply to tariff quotas: (i) Wherever possible a global quota should be fixed in advance for the importation of the product in question; (ii) Where (i) is not practicable, restrictions might be applied by import licences without a global quota; (iii) Where licences issued within a global quota, or without a global quota, import licences or permits should, in general, not tie the import to a particular source of supply; (iv) Where (iii) is not practicable, the restrictions might take the form of a quota allocated among the various sources of supply. In this case the general principle should be to allocate the quotas on commercial principles such as price, quality and customary sources of supply. These commercial principles might be applied in principle in either of two ways—firstly, agreement might be sought between the exporters who have a substantial interest in supplying the product, and secondly, where this is not possible, the rule should be that the member should make the initial decisions about the shares of such quotas but should be expected to enter into consultations about adjustments.

(v) No conditions should be imposed such as would prevent any member from making full use of its share in any quota, subject to importation being made within any prescribed period to which the quota may relate.

(c) It was generally agreed that members should under-take to supply adequate information about the administration of their import restrictions. In cases in which import licences are used, the Preparatory Committee considers information should be supplied, at the request of any member, having a substantial interest in the trade, about the administration, which has been and about the licences granted, but there should be no obligation to reveal the names of importing or supplying firms. Where quotas are fixed, public notice should be given in advance of the size of the quota and where the quota is allocated among supplying countries all members having an interest in supplying the product should be given prompt notice of the shares of the various countries in the quotas.

(v) It was generally agreed that there must be the following exceptions from the general rule of non-discrimination in the application of quantitative restrictions:

(i) Members should be entitled to impose import restrictions which have the equivalent effect of the exchange restrictions which a country could impose under Article 2 and the Articles of Agreement of the International Monetary Fund (see currency clauses).

(ii) A group of territories, which have a common quota in the International Monetary Fund, should be able to impose restrictions against imports from other countries in order to protect their common monetary reserves.

(iii) Members should be able to assist, by means not involving discrimination, with the implementation of the rule of non-discrimination, a country whose economy has been disrupted by war but this freedom should only extend until 31 December 1945.

(iv) Some element of discrimination in import and export restrictions may be needed in order to carry out inter-governmental commodity agreements. For example, the commodity policy provisions of the Charter or in order to apply the restrictions, which have been imposed by the post-war transitional period to ensure an equitable distribution among consuming countries of products in short supply.

(a) A more difficult problem arises in the treatment of convertible currencies. It is thought that the objective is to establish multilateral trading over as wide an area as possible and that for this purpose it is desirable that currencies should become convertible as soon as is safely possible. But so long as some currencies remain convertible there is difficulty in reconciling the full application of the principle of non-discrimination with the courses of action which are imposed upon members by their external financial situations. This difficulty is of course fully recognized, as far as exchange restrictions are concerned, in the provisions of Articles XIV of the Articles of Agreement of the International Monetary Fund. The present problem here is to make appropriate provision for this difficulty in the trade field.

(f) The nature of the difficulty may be conveniently expressed by considering the position of country A, which has a favourable balance of payments, with country B which has an inconvertible currency. This favourable balance can be settled only by (i) Accumulation by A of convertible balances of B's currency or by a loan to B in A's currency; or (ii) an increase in A's imports from B; or (iii) a reduction in A's exports to B.

(g) If A is unable or unwilling to make the appropriate loan under (i) and if the costs of B are too high to enable A to accept B's exports without infringing the rule of non-discrimination, the only possibility is a reduction in A's exports to B. It was argued that A can always avoid this difficulty by banning such exports, but it would otherwise have gone to B, to countries with convertible

*See sub-paragraphs (i), (ii), and (iii) of Section C.*
currencies and there was general agreement that where the majority of countries had convertible currencies, this would normally be the case. It was argued, on the other hand, that countries, which normally conduct a large proportion of their trade with countries whose currencies are convertible, might be obliged to restrict their trade substantially because of the limited import capacity of countries with non-convertible currencies, and that consequently the additional purchase of imports from country $A$, even on a discriminatory basis, might be less restrictive of world trade than the full exploitation of non-discrimination. It was furthermore argued that any provisions made to deal with this general problem should also cover the problem of balances of convertible currencies accumulated before the entry into force of the Charter.

4. Exchange Arrangements

(a) The problem of foreign exchange arrangements in relation to the Organization is a question of great importance, since commercial obligations can be fundamentally affected by such matters as exchange control, rate of exchange, exchange depreciation, multiple exchange rates, etc. The International Monetary Fund is the specialized agency, which has been created to deal with these matters, and it is desirable as far as possible to avoid overlapping functions between it and the Organization. Where trade matters and exchange matters inevitably overlap, it is generally considered that there should be the maximum consultation and cooperation between the Fund and Organization.

(b) The Preparatory Committee is of the opinion that members should undertake not to seek by exchange action to frustrate the purposes of this Charter, nor to seek by exchange action to frustrate the purposes of the Articles of Agreement of the International Monetary Fund.

(c) The problem would be much simplified if all the members of the Organization were also members of the International Monetary Fund. No decision was reached on the question of requiring common membership, however, as some delegations felt it may well be necessary to allow freely for independent membership of the Organization and of the Fund.

(d) Consideration was, therefore, given to the question whether special provision should not be made for a country which wished to become a member of the Organization without becoming a member of the Fund. It is generally recognized that some such provision may prove to be necessary, but the Preparatory Committee considers that examination of this issue can usefully wait until the probable membership of the Organization and of the Fund becomes clearer. Pending this further examination, Article 29 has been expressed in a way which implies that members of the Organization would in general be expected to be members of the Fund, but that the Fund could be provided for non-members of the Fund to join the Organization.

(e) It is thought that if the general principle were adopted that members of the Organization should also be members of the Fund, opportunity must nevertheless be left for a member of the Organization to exercise the
right, which it has under the Articles of Agreement of the International Monetary Fund, to withdraw at short notice from the Fund—a right which would be compromised if a member of the Organization were required to be a member of the Fund, and were not free to withdraw from the Organization at short notice.

(f) It is generally considered appropriate that any member of the Organization, which is not a member of the Fund, should not have full freedom in exchange matters, since by exchange arrangements it might frustrate its trade obligations. There is wide measure of agreement for the suggestion that such a member should enter into a special agreement with the Organization in exchange matters, which would provide that the purpose common to the Organization and the Fund would not be frustrated as a result of action in exchange matters by the member in question. In such cases the Organization would accept the opinion of the Fund whether action by the member in question in exchange matters was permissible under the terms of the special exchange agreement and the member would undertake to provide the Organization with the information necessary for reaching such a decision.

SECTION D
Subsidies

1. Subsidies on Primary Products
(a) In general the intention of Article 15 of the United States Draft Charter is to give members, whose interests are prejudiced by subsidization, the right to a full international consideration of their case, to oblige subsidizing members to participate in such consideration and to provide for limiting subsidization so that its prejudicial effects may be reduced.

(b) As concerns primary products, the Article recognizes that, when trade is distorted by the special difficulties referred to in Chapter VI of the United States Draft Charter, the procedures of that Chapter rather than those of this Article should apply.

(ii) In view of the fact that export subsidies are recognized as likely to distort trade, the Article looks toward the early elimination of the former in most cases but merely to the limitation of the latter. Nevertheless it is emphasized that the Article envisages gradual rather than sudden modification of subsidies in cases where such modification calls for substantial economic and social adjustment in the territories of affected members.

(d) The points considered by the Preparatory Committee in preparing a revision of the text of Article 15 of the United States Draft Charter are indicated below:

(i) Wherever the Draft Charter has words such as "injury to the trade of a member", it was thought advisable to say "prejudice to the interest of a member". It was felt that this wording would in practice facilitate application.

(ii) The word "limiting" in the last sentence of paragraph (i) of the revision is used in a broad sense to indicate limiting the subsidization at a low level as possible, and the gradual reduction in subsidisation over a period of time where this is appropriate.

(iii) One delegate suggested that the Drafting Committee be requested to consider adding, after the words "imports of such product" in the first sentence of paragraph (i) of the revision, the words "or of closely competitive products". Another delegate declared that he was not in a position to judge whether such a request should be made.

(iv) It is suggested that the Drafting Committee consider whether it is necessary to retain the cross reference clauses beginning, "Except as provided at" at the beginning of the same paragraph.

(v) The words added at the end of the second sentence of paragraph (i) of the revision are designed to make it clear that payments to producers from the processes of domestic taxes from which export products are exempted are looked upon as "domestic" rather than export subsidies. The added words, and the sentence to which they are attached, are essentially explanatory of part of the first sentence of paragraph (i).

(vi) The substitution of the phrase "a complete analysis of the practices in question and the facts justifying them" for the words "an explanatory statement", in the fourth sentence of paragraph (i) of the revision is associated with a discussion of possible result of the determination mentioned in the following sentence. It is felt that under certain circumstances some export subsidies may be adopted for the reason that they are as consistent with the objectives of the Charter.

(vii) It was considered whether the words "the like product" in the first sentence of paragraph (a) could be construed in such a way as to permit regulations of the provisions of this paragraph in cases when the reported product differs slightly from a product sold in the domestic market. It was decided, however, that this would be a case falling under the terms of Article 35 and thus that the measure, whether or not in conflict with the terms of Chapter V of the Charter, would imply nullification or impairment of the Chapter. The subsidizing member would, therefore, be obliged to give sympathetic consideration to the views of other interested members and, assuming good faith, the problem could probably be solved. The implications of qualifying words, such as "the like or similar product," might be considered by the Drafting Committee.

(viii) Certain delegates felt that the period of three years prescribed in the third sentence of paragraph (a) of the revision for giving effect to the provisions of that paragraph was unduly long. It was agreed that the question of shortening this period should be taken up at a later stage, after the countries had had the opportunity of considering the effect of such a shortening on their domestic legislation.

(ix) One delegate made the following reservation in regard to paragraphs (a) and (c): The adoption or maintenance of subsidies or similar measures to promote the production or exportation of certain special commodities in a member country which has suffered from chronic adverse balance of payments should be allowed until such a time as its equilibrium in the trade of such goods is achieved. Payments will have been actually attained, when the question of such measures may be reconsidered through consultation by the countries concerned. This delegate also suggested that paragraph (c) of the revision should be amended so that "the share of any such special export in world trade, whether or not considered as a result of the use of subsidies or similar measures, should not be subject to limitation by its share in world trade during any previous representative period, except when it is proved to be a burden to a member of world surplus." Certain delegates, however, advised against these amendments because of the adverse effect which such subsidies would have upon the trade of other countries.

(x) Paragraph (f) would render it possible for interested members, in consultation with the Organization, to operate a domestic stabilization scheme for a primary product if the stabilized domestic price at times exceeds the export price and if, through effective production controls or otherwise, the scheme operated so as not to prejudice the interest of members. Some delegates thought that this was implicit in paragraph (a) and that the explicit exemption under paragraph (f) might render it more difficult to apply paragraph (a) so as to commit a member to a price below the export price. Another delegate suggested that he was not in a position to judge whether such a request should be made.

(xi) It is suggested that the Drafting Committee consider whether the cross reference made in paragraph (f) should not be between the paragraphs and the price paid to domestic producers, and requested that a later opportunity be given to consider this matter.

(xii) Sub-paragraph (i) of the revision indicates that the consultative procedure of Chapter VII with reference to primary products in the case of which special difficulties may arise, may be applied when subsidies on such products call for determination by consultation under the terms of paragraph (i) or (a). In this connection and in relation to the provisions of paragraph 3 of the United States Draft Charter, it is suggested that the Drafting Committee consider Article 35 in connection with paragraph VII and with paragraph (d) of Article 66, with a view to simplifying the texts in question. They are intended to provide explicitly, a uniform type of consultative procedure for dealing with primary commodities in the case of which special difficulties may arise either in the initial period of transition or thereafter, and, secondly, an adequate consultative procedure for dealing with non-primary products according to the general intentions of Article 35 as expressed in the opening sentence of this Section.
(xiii) One delegate announced that he would reserve his position regarding the provisions of sub-paragraph (a), (b) and (c) of the revision.

(xiv) One delegate expressed the opinion that the Drafting Committee should consider the provisions in Article 11 of the United States Draft Charter in connection with Article 30. He felt specially that Article 11 should, in the same way as sub-paragraph (a) of Article 35 does for quotas, provide for the legitimation of subsidies, if these were accepted after consultation by interested members.

2. Subsidies on Manufactured Goods

(a) The question of subsidies on manufactured goods was studied in the light of a document submitted by a delegate when a proposal that the existing provisions of the United States Draft Charter be altered so as to provide leeway for the use of measures to assist developing industries under certain circumstances was being discussed.

(b) It is pointed out in this document that Article 25 of the United States Draft charter would permit, without serious qualification, the use of governmental subsidies for the purpose of establishing and expanding a manufacturing industry. The following requirements laid down in Article 25 in respect of such subsidies, it is stated, are moderate and few:

(i) If the subsidy does not reduce imports, no requirements are made.

(ii) If the subsidy does reduce imports, the only requirement is that it is to be reported to the International Trade Organization together with an indication concerning the probable effect of the subsidy and the reason why it is necessary.

(iii) Even if the subsidy should cause serious injury to international trade, the only requirement is that the members granting it discuss with members, whose interest is seriously prejudiced, the possibility of limiting the subsidy.

In view of these facts no change in the text of the Article on Subsidies on Manufactured Goods as it appears in the United States Draft Charter was considered necessary.

(c) One delegate drew attention to the fact that only the richer countries were able adequately to support their industries by means of subsidies.

SECTION E

State Trading

1. Non-discriminatory Administration of State-Trading Enterprises

(a) The provisions of Article 26 of the United States Draft Charter are, in the main, unacceptable to the Preparatory Committee, subject to the following modifications:

(i) It was considered that this Article, in conformity with certain others in that Charter, should be modified as to refer to goods only. Hence the words "or services" were deleted in the first paragraph.

(ii) In paragraph (i) of Article 31 the words "distribution or produce" in the first sentence have been placed in square brackets because certain delegates considered that it should be possible for a member government to confer exclusive or special privileges upon certain types of enterprise (e.g. for carrying on certain types of manufacture), without at the same time exercising exclusive control over the trading operations of such enterprises. In order to make their point of view clear these delegates wished to add in square brackets the words and exercises exclusive control over the trading operations of such enterprise."

Other delegates, however, considered that in such circumstances it would be proper that the government conferring the exclusive or special privileges should assume the responsibility of exercising exclusive control over operations affecting the external trade of such enterprise.

(iii) The illustrative examples of "commercial considerations" by which the state-trading enterprises of a member should be guided in fulfilling their obligation of non-discriminatory administration, were supplemented to indicate "differential customs treatment." The Committee agreed.

(iv) Attention was paid to the nature of the "specific and detailed information" which the member maintaining a state enterprise was required to provide by the terms of the Charter in order to make possible a determination whether the trading operations of the enterprise fulfilled the requirements of paragraph (1). It was agreed that such an enterprise should not be called upon to provide more information than a private enterprise trading under the same or similar conditions.

Accordingly, the last sentence of paragraph (1) was amended so as to fall in line with the provisions of Article 35 of the Charter.

(v) Since paragraph 1 of Article 8 of the United States Draft Charter had been amended by deletion of the provision relating to governmental contracts, it was felt necessary to insert a new paragraph in Article 31 dealing with the subject. A distinction was made between governmental purchases for resale, which are covered by this paragraph, and purchases for governmental use and not for resale. The discussion on this latter point was prompted by the consideration that in some countries purchases of industrial and other equipment of various types from abroad might well be effected through the medium of state enterprise and that, while it might be difficult in certain circumstances to observe the rule of "commercial considerations" for such purchases, it was at least necessary to provide that if "fair and equitable treatment" should apply but that in applying it full regard should be given to all relevant circumstances. The paragraphs on the basis of the so-called "tied loans" would be considered to conform with this rule.

The view was generally held that a country receiving a loan would be free to take this loan into account as a "commercial consideration" when purchasing its requirements abroad. The position of countries making such "tied loans" was another question.

(vi) Two changes were made in the definition of a state enterprise. Subsidy was substituted for the expression " enterprise of the Article. For greater clarity, the words "directly or indirectly" were deleted and the words "effective control" substituted for the term "a substantial measure of control."

(vii) It was agreed that when marketing boards buy or sell they would come under the provisions relating to state-trading; where they lay down regulations governing private trade, their activities would be covered by the relevant Articles of the Charter. It was understood that the term "marketing boards" is confined to boards established by express governmental action.

2. Expansion of Trade by State Monopolies of Individual Products

(a) The principle underlying Article 27 of the United States Draft Charter, being the counterpart of paragraph 1 of Article 18 of that Charter, is generally acceptable to the Preparatory Committee. The principal changes, which are recommended and which were inserted, relate mainly to two purposes--firstly, to provide a more accurate basis for the determination of the "negotiable margins," and secondly, to take into account the special nature of fiscal monopolies.

(b) The references to Article 33 of the Charter in the first sentence was provisionally removed.

(c) The term "landed cost, before payment of any duty, of such products purchased by the monopoly from its suppliers in his country" was substituted for the term "price to which such product is offered for sale to the monopoly by a supplier." The phrase "at a margin that a mere offer does not provide a firm basis for the calculation of the margin. A similar change was made in respect of controls over state monopolies, in the case of certain countries imports by state monopolies are subject to customs duties, it was considered appropriate to choose a definition which, while it allows for the control over the trading operations of such enterprises."

Other delegates, however, considered that such circumstances it would be proper that the government conferring the exclusive or special privileges should assume the responsibility of exercising exclusive control over operations affecting the external trade of such enterprise.

(iv) Attention was paid to the nature of the "specific and detailed information" which the member maintaining a state enterprise was required to provide by the terms of the Charter in order to make possible a determination whether the trading operations of the enterprise fulfilled the requirements of paragraph (1). It was agreed that such an enterprise should not be called upon to provide more information than a private enterprise trading under the same or similar conditions.

Accordingly, the last sentence of paragraph (1) was amended so as to fall in line with the provisions of Article 35 of the Charter.

(v) Since paragraph 1 of Article 8 of the United States Draft Charter had been amended by deletion of the provision relating to governmental contracts, it was felt necessary to insert a new paragraph in Article 31 dealing with the subject. A distinction was made between governmental purchases for resale, which are covered by this paragraph, and purchases for governmental use and not for resale. The discussion on this latter point was prompted by the consideration that in some countries purchases of industrial and other equipment of various types from abroad might well be effected through the medium of state enterprise and that, while it might be difficult in certain circumstances to observe the rule of "commercial considerations" for such purchases, it was at least necessary to provide that if "fair and equitable treatment" should apply but that in applying it full regard should be given to all relevant circumstances. The paragraphs on the basis of the so-called "tied loans" would be considered to conform with this rule. The view was generally held that a country receiving a loan would be free to take this loan into account as a "commercial consideration" when purchasing its requirements abroad. The position of countries making such "tied loans" was another question.

(vi) Two changes were made in the definition of a state enterprise. Subsidy was substituted for the expression "enterprise of the Article. For greater clarity, the words "directly or indirectly" were deleted and the words "effective control" substituted for the term "a substantial measure of control."

(vii) It was agreed that when marketing boards buy or sell they would come under the provisions relating to state-trading; where they lay down regulations governing private trade, their activities would be covered by the relevant Articles of the Charter. It was understood that the term "marketing boards" is confined to boards established by express governmental action.

2. Expansion of Trade by State Monopolies of Individual Products

(a) The principle underlying Article 27 of the United States Draft Charter, being the counterpart of paragraph 1 of Article 18 of that Charter, is generally acceptable to the Preparatory Committee. The principal changes, which are recommended and which were inserted, relate mainly to two purposes--firstly, to provide a more accurate basis for the determination of the "negotiable margins," and secondly, to take into account the special nature of fiscal monopolies.

(b) The references to Article 33 of the Charter in the first sentence was provisionally removed.

(c) The term "landed cost, before payment of any duty, of such products purchased by the monopoly from its suppliers in his country" was substituted for the term "price to which such product is offered for sale to the monopoly by a supplier." The phrase "at a margin that a mere offer does not provide a firm basis for the calculation of the margin. A similar change was made in respect of controls over state monopolies, in the case of certain countries imports by state monopolies are subject to customs duties, it was considered appropriate to choose a definition which, while it allows for the control over the trading operations of such enterprises."

Other delegates, however, considered that such circumstances it would be proper that the government conferring the exclusive or special privileges should assume the responsibility of exercising exclusive control over operations affecting the external trade of such enterprise.

(iv) Attention was paid to the nature of the "specific and detailed information" which the member maintaining a state enterprise was required to provide by the terms of the Charter in order to make possible a determination whether the trading operations of the enterprise fulfilled the requirements of paragraph (1). It was agreed that such an enterprise should not be called upon to provide more information than a private enterprise trading under the same or similar conditions.

Accordingly, the last sentence of paragraph (1) was amended so as to fall in line with the provisions of Article 35 of the Charter.

(v) Since paragraph 1 of Article 8 of the United States Draft Charter had been amended by deletion of the provision relating to governmental contracts, it was felt necessary to insert a new paragraph in Article 31 dealing with the subject. A distinction was made between governmental purchases for resale, which are covered by this paragraph, and purchases for governmental use and not for resale. The discussion on this latter point was prompted by the consideration that in some countries purchases of industrial and other equipment of various types from abroad might well be effected through the medium of state enterprise and that, while it might be difficult in certain circumstances to observe the rule of "commercial considerations" for such purchases, it was at least necessary to provide that if "fair and equitable treatment" should apply but that in applying it full regard should be given to all relevant circumstances. The paragraphs on the basis of the so-called "tied loans" would be considered to conform with this rule. The view was generally held that a country receiving a loan would be free to take this loan into account as a "commercial consideration" when purchasing its requirements abroad. The position of countries making such "tied loans" was another question.

(vi) Two changes were made in the definition of a state enterprise. Subsidy was substituted for the expression "enterprise of the Article. For greater clarity, the words "directly or indirectly" were deleted and the words "effective control" substituted for the term "a substantial measure of control."

(vii) It was agreed that when marketing boards buy or sell they would come under the provisions relating to state-trading; where they lay down regulations governing private trade, their activities would be covered by the relevant Articles of the Charter. It was understood that the term "marketing boards" is confined to boards established by express governmental action.
(a) It was considered appropriate that, in applying the margin determined by negotiation, landed costs and selling prices might be averaged over a recent period of years, and a sentence to that effect was added.

(b) The reference to Section C (Quantitative Restrictions) was deleted and the words "subject to the other provisions of this Charter" substituted. A further modification was made so as to permit of account being taken, in the case of imports, of rationing of the product to consumers, as in the case of exports, of the quantities available for export.

(c) Attention was paid to the special position of monopolies operated for revenue purposes. It was contended that their profits (and consequently the margins between their "landed costs" and selling prices) had to be regarded as a form of internal taxation. A new paragraph was added to cover the case of such monopolies.

SECTION IV
Restrictive Business Practices

CHAPTER A
Policy towards Restrictive Business Practices

1. The Preparatory Committee has not attempted to define precisely what is meant by "restrictive business practices" but has taken the phrase to mean broadly those practices in international trade which restrain competition, limit access to markets, or foster monopolistic control and thus substitute the decisions of single enterprises or groups of enterprises acting in concert and exercising monopolistic power for the forces of the market in the determination of price levels, volume of production and distribution of products. It was found convenient to refer to the list of such practices in paragraph 2 of Article 34 of the United States Draft Charter, which, though not exhaustive, included most common types of such practices.

2. In preliminary exchanges of views it was found on the one hand that some delegates regarded these practices as inevitable and automatic barriers to a free and expanding system of international trade and in conflict with the obligations which it was proposed members of the Organization should assume under other chapters of the Charter. On the other hand, some delegates urged considerable advantages in their wise use, particularly in introducing stability in industries requiring large investments and depending mainly on external markets. It was also urged that restrictive agreements were frequently accompanied by exchanges of technical information which facilitated establishment of new industries in the less industrialized countries.

3. It was found, however, that, despite this wide divergence of view on the significance of these practices, there was a unanimous belief that they were capable of having harmful effects on the expansion of production and trade and the maintenance in all countries of high levels of real incomes and on the other purposes of the Organization, whether, as some felt, by their very nature, or as others maintained, only in their wrongful use. Accordingly, it was agreed that all the members of the Organization should undertake to take all possible steps within their jurisdiction to prevent restrictive practices having harmful effects on the purposes of the Organization.

4. It was clear to all delegates of the Preparatory Committee that governments would be unlikely to agree in their judgment of the effects of particular practices and that an undertaking of the kind just referred to would leave open the possibility of one member allowing or approving a monopolistic arrangement or practice, which would be felt by another member to injure the purposes of the Organization. Accordingly it was agreed that the Organization should be empowered to receive complaints and to investigate them. It was felt that this was the most important function which the Organization could discharge in this field.

5. It was agreed that the procedure of complaint and investigation should apply equally whether the practices were pursued by private or by public (i.e., government-owned or controlled) enterprises or by a mixture of the two, so far as agreements are concerned, but the procedure should apply to the practices of single monopolistic enterprises only when these are privately owned. The problem of the public enterprise acting independently should, it is thought, be dealt with under the provisions governing state-trading. Care will have to be taken in any event that ultimately the provisions regarding restrictive business practices and regarding state-trading are in harmony.

SECTION B
Procedure with Respect to Complaints and Conferences

1. The Preparatory Committee considered that complaints should be received and examined by the Organization whether they come from members or from affected persons, organizations or business enterprises, provided in the latter case the government approves the consideration of the complaint by the Organization. The steps, which the Organization should take, should be as follows:

(a) At the request of a member it should, at its discretion, be free to arrange conferences between mem bers to consider a specific practice which the member feels has or is about to have a harmful effect on the purposes of the Organization.

(b) It should consider written complaints, obtain minimum information both from the complainant and from other members concerned and then determine whether a further investigation is necessary.

(c) If it is satisfied that there is a prima facie case for further consideration, then it should obtain information from all members which wish to submit such information, and it should afford opportunity for any member and for the commercial enterprises alleged to have been engaged in the practice to be heard by it if they so wish.

(d) The Organization should then determine whether the practice complained of has the harmful effect feared and, if so, it should report to all members its findings, requesting them to take action, to prevent the continuance or recurrence of the practice and at its discretion recommend specific remedial measures. Each member would, of course, take action in accordance with its own laws and procedures.

(e) The Organization should then prepare a report on the case.

SECTION C
Investigations relating to Restrictive Business Practices

1. It was felt that it was necessary that the Organization should give further study to the subject, as it was clear that it was one of extreme difficulty on which there was no unanimity of opinion among the various countries. It is considered, therefore, that the Organization should study types of restrictive practices, and conventions, laws and procedures relevant to these practices. It should obtain information from members to assist it in its studies, and it should be at liberty to make recommendations concerning conventions, laws and procedures so far as these are relevant to the obligations which members will undertake.

2. The Organization should also be empowered to arrange conferences at the request of members for general consultation on the problem.

SECTION D
Obligations of Members

The Preparatory Committee agreed that members should take all possible steps to prevent commercial enterprises within their jurisdiction from engaging in practices
having harmful effects on the purposes of the Organization. Members should also conduct investigations in order to be able to furnish information requested by the Organization in connection with complaints, though they should be free to withhold confidential information affecting national security or production techniques. It was felt, however, that in the obligation requiring members to furnish this information, there should be some provision whereby the legitimate business interests of particular enterprises should be safeguarded as far as feasible from possible injury, which might arise if detailed information were to fall into the hands of their competitors or other private persons. In considering the initiation of action appropriate to their system of law and economic organization members should also take the fullest account of any recommendations made by the Organization following on its investigation of such a particular complaint. They should report to the Organization what actions have been taken.

SECTION E
Supplementary Enforcement Arrangements

The Preparatory Committee recognizes that members may co-operate with each other in the enforcement of any provision made by other members in furtherance of the general objectives. There should be no specific obligation on members to take such action, but it should be made clear that they are free to adopt this course if they wish, provided that they notify the Organization.

SECTION F
Continued Effectiveness of Domestic Measures against Restrictive Business Practices

It was recognized that the responsibilities of the Organization in this field should not affect the national laws under which some countries have made general provision for the prevention of monopoly or restraint of trade.

SECTION G
Exceptions to Provisions of this Chapter

The Preparatory Committee considers that the procedure previously described should not apply to inter-governmental commodity arrangements made under the arrangements specified in Chapter VII of the Charter or international agreements of the kind described in Article 59 of the Charter, though the Organization should, at its discretion, be empowered to make recommendations to members and to appropriate international organizations concerning any features of such agreements which may have harmful effects on the purpose of the Organization.

SECTION H
General Observations

1. Three delegates suggested that the provisions of Chapter VI (Restrictive Business Practices) should be extended to government services. One delegate stated that the Charter would have no meaning, if the question of restrictive business practices relating to services such as shipping, insurance and banking were excluded.

2. Two delegates suggested that consideration should be given to the possibility of establishing some form of procedure for the registration with the International Trade Organization of international combinations, agreements or other arrangements as defined in sub-paragraph (2) (a) of Article 59. One delegate felt, moreover, that some degree of publicity should be given to the results of such a procedure.

CHAPTER V
Inter-Governmental Commodity Arrangements

SECTION A
General Considerations

1. The Preparatory Committee recognizes that the conditions of production and consumption of certain primary commodities such as fish that international trade in these commodities is subject to special difficulties not generally associated with manufactured goods. These difficulties arise from the lassitudes of supply and demand, often involving the accumulation of surpluses, which cause serious hardship particularly to small producers. Experience has shown that such difficulties have been greatly accentuated by booms and slumps. To the extent, therefore, that a principle of steady and stable employment is successful on an international scale, the fluctuations in primary production and consumption are likely to be reduced, and the special difficulties of primary commodities correspondingly eased. On the other hand the achievement of greater stability in the real income of primary producers will in turn assist in the general maintenance of high and stable levels of employment. Nevertheless, in the case of particular commodities, the root causes of difficulties will remain, and it is necessary, in the interests of producers and consumers alike, to provide markets and means for dealing with them in a manner consistent with the maintenance of a high level of world trade.

2. It was agreed that, in the absence of provisions for broad international action, countries might be driven, as in the past, to resort to action restrictive of world trade and production. The Preparatory Committee therefore recognizes the need, in certain circumstances, for international commodity arrangements and for agreement on the general principles to govern their use. It is considered unwise to deal with the great variety of special difficulties peculiar to individual commodities and with particular methods appropriate to each and, therefore, the Preparatory Committee's approach to the problem was that of developing broad general principles to cover as many types of circumstances as possible.

3. In connection with the scope of the provisions regarding special commodity problems that should be included in the Charter of the International Trade Organization, it was agreed that, subject to certain limited exceptions, they should apply solely to primary commodities. A primary commodity is taken to be any mineral or agricultural product, including foodstuffs and forestry products. It is suggested that the Drafting Committee may examine the use of the terms, "primary", "agricultural", "mineral", "commodity" and "product" throughout the Charter in order to ensure uniformity and consistency in their application. One delegate made a reservation that the term "primary products" in this context should not include fish or fisheries products.

4. It was considered that a statement covering inter-governmental commodity arrangements should include the objective of such arrangements, the procedure for initiating and establishing them and the broad principles which should apply to them. This statement should also cover the special circumstances in which agreement will be used for regulating production, trade or prices and the special principles that should apply to the operation and administration of such regulatory agreements.

5. There was general agreement that the objective of inter-governmental commodity arrangements should be to alleviate the difficulties which arise when adjustments in production or consumption cannot be effected as rapidly as the circumstances require, by the free play of market forces alone. Such arrangements may also aid to facilitate economic adjustments designed to promote the expansion of consumption or a shift of resources and manpower out of over-expanded industries to new and productive occupations. They may also aid to moderate pronounced fluctuations in prices, provide for increased production to meet serious shortages and to maintain and develop the natural resources of the world and protect them from unnecessary exhaustion. The Drafting Committee is called to the fact that the wording may require further examination. It is not intended, for instance, that the arrangements envisaged by Chapter VII should apply to international fisheries conventions.

SECTION B
Inter-Governmental Commodity Arrangements in General

1. The Preparatory Committee considers that inter-governmental commodity arrangements should not be made until there has been a study of the problems relating to the commodity in question. It was, therefore, agreed that, in regard to any commodity which is experiencing, or is expected to experience, special difficulties, a study group may be formed to examine the problem.
study group concludes that an inter-governmental commodity arrangement would be desirable, it should be fol-
lowed by a Commodity Conference to discuss the appro-
priate arrangements to meet the special difficulties. When it is
agreed that adequate information is already available about a commodity, a Conference may be convened by the
Organization without the prior formation of a study group or
2. The general procedure envisaged by the Preparatory
Committee is that the first step in the development of a
commodity arrangement would be the pooling of a study
group, the second, the convening of an International Com-
modity Conference, and finally the formation of a govern-
ment body to administer the arrangement agreed upon. The
study group from the outset should consist of countries
substantially interested in the production, consumption or trade of the commodity concerned. After this stage
there would be increasing participation by interested coun-
tries. Finally, when the commodity arrangement has been
agreed upon, it should be open initially to participation by
any member. It should also be open to such non-members as
may be invited by the Organization. Since the arrangement
is to be both comprehensive and effective, it must, of necessity, include substantially interested non-
member countries. Attention was drawn to paragraph 2 of
Article 31 of the United States Draft Charter, which
appears to be inconsistent with the participation of non-
member countries in the benefits of commodity arrange-
ments. It is recommended that the Drafting Committee
should specify arrangements under Chapter VI as an ex-
ception to the operation of paragraph 2 of Article 31.
3. The question of the relationships between the Organ-
ization and its specialized agencies in respect of particu-
lar commodities was discussed. The Preparatory Committee
agreed that the competent specialized agencies, such as the
Food and Agriculture Organization, should be entitled to
submit commodity studies to the Organization or ask that
a study of a given commodity be made. They may also be
requested by the Organization to attend or take part in the
work of a study group or a Commodity Con-
ference. It was further agreed that when a commodity
arrangement is eventually agreed upon, any competent
specialized agency may be invited by the Organization to
nominate a non-voting member to the governing body.
4. There was agreement on certain general principles
which should apply to all inter-governmental commodity
arrangements in order that they may conform with the
purposes of the Organization. In particular the Prepara-
atory Committee considers that there should be adequate
representation of importing and consuming countries as
well as of exporting and producing countries. It was
agreed that the Drafting Committee be requested to give
further consideration to the text of this provision in the
light of the Preparatory Committee's desire to give appro-
priate voice to:
(a) countries substantially interested in the produc-
tion and consumption of a commodity but not in its
import or export; and
(b) countries which are both large exporters and im-
porters of the commodity.
5. In regard to voting on substantive matters almost
unanimous agreement was reached. The Preparatory
Committee is of the opinion that without prejudice to the
right of the countries referred to in the preceding sentence
to an appropriate voice, the voice of importers and ex-
porters should be given only equal. It is felt that this was the only
way in which the interests of both importers and exporters
could be adequately protected. One delegation was
strongly of the opinion that an equality of voice
between importers and exporters should not be required,
but that importers should have "a number of votes equitably
proportionate to the number of votes of the export-
ing countries, in order that the interests of exporters and
importers shall be duly protected."
6. The Preparatory Committee stresses that commodity
arrangements should provide, wherever practicable, for
measures designed to expand world consumption. This is
particularly desirable when the need for a commodity
arrangement arises from the existence of a burdensome sur-
plus or when increased consumption would result in an
improvement in general well-being, as, for example, in
higher standards of nutrition.
7. It was agreed that all inter-governmental commodity
arrangements, proposed or concluded, should be given full
publicity, so that all interested parties may be fully in-
formed of the measures taken and of the progress achieved in
the correction of the underlying difficulties.

* See Article 36 of the Charter.

SECTION C

Inter-Governmental Commodity Arrangements involving
the Regulation of Production, Export, Import or Consumption

1. A distinction is drawn between those inter-govern-
mental commodity arrangements, which involve the regu-
lation of export or production, on the one hand, and those
which do not. The former are referred to as regulatory
agreements. It was felt that regulatory agreements should
be used only in certain defined circumstances arising out of
difficulties which would not be corrected by normal
market forces alone, when a burdensome surplus exists or is expected to develop, causing hardship to producers,
many of whom are small producers, or where special diffi-
culties have arisen, or are expected to give rise to,
to widespread unemployment. In this connection it is desired that "unemployment" be taken in a wide sense to include
"under-employment."

It was agreed that in exceptional circumstances regulatory agreements might also be applied to
manufactured goods. The Preparatory Committee
agrees that one effect of this provision should be to permit
the inclusion of appropriate synthetic products within the
scope of particular commodity agreements.

2. The Preparatory Committee discussed whether regu-
latory agreements might be used to deal with shortages.
It was generally agreed that such agreements, which were
made in those cases in which a burdensome surplus was
"expected to develop", could appropriately take into
account shortage difficulties. The history of some com-
modities shows that there may be recurring periods of
burdensome surplus and shortage which need to be con-
sidered. Some delegates felt that the Preparatory Committee
should make provision specifically in the circumstances governing the use of
regulatory agreements, but it was generally felt that this was unnecessary, since the Preparatory Com-
mittee will examine all agreements relating exclusively to the distribution of commodi-
ties in short supply, and also present and new agree-
ments governing commodity arrangements, and, therefore,
could be concluded outside their framework. In this
connection, the attention of the Drafting Committee is drawn
to the discussion of the Preparatory Committee on this
subject.

3. Agreement was reached that in addition to the
principles applicable to all inter-governmental commod-
y agreements, regulatory agreements should be
subject to certain additional principles. The Preparatory
Committee wishes to ensure that the application of
regulatory agreements should be used only when essential
to prevent or remedy serious dislocation or hardship, that
they should not lead to unreasonable prices and that they
should not afford permanent shelter to the less effective and
economic sources of supply. The additional principles
for regulatory agreements concern such matters as pro-
cedure, relations between countries participating in agree-
ments and countries not participating, the assurance of
adequate supplies to meet world demand at reasonable
prices and the provision of increasing opportunities to
meet world needs from the most effective and economic
courses of supply. In relation to the phrase "reasonable
prices", it was felt that this term should not be rigidly
defined for all agreements, as the individual Commodity
Council of the Councils would wish to decide this matter
according to the conditions relating to the particular commodity.
Certain delegates asked for further clarification of the
term, and it is suggested that the Drafting Committee
should consider this matter. One delegate suggested that
the question of the attainment of a "reasonable" or "just
price" is a difficult one in the case of inter-
governmental commodity arrangements. Another
delegate thought that by altering the "most
effective and economic sources of supply, due consider-
ations should be given "to the historical position of the
supply areas which are members of the Organization."

4. The Preparatory Committee considers that every
regulatory agreement should provide for a governing body
(Commodity Council) and each participating country
should be entitled to be represented thereon and to vote.
Subject to the principles referred to in paragraph 4 of
Section II, voting power may be distributed among coun-
tries according to the nature and extent of their individual
interests. It was understood that regulatory agreements
should not provide for qualified majority voting in all
matters. Each Commodity Council should work within
the framework of the International Trade Organization,
which may appoint non-eading members to the Council.

* See Verbatim Record of the Eighth Meeting of Com-
mittee IV.
and, if so requested, a non-voting chairman. The rules and regulations of the Councils should be subject to the approval of the Organization.

5. The Preparatory Committee agreed that regulatory arrangements should be subject to periodic review. They should be effective for not more than five years subject to renewal. Where the operation of an agreement has failed to conform to the agreed principles, it should be revised accordingly. If this is not possible, it should be terminated.

6. It was agreed that there should be provision for the settlement of disputes, and it was thought desirable that this should be uniform throughout the Charter. The Preparatory Committee, therefore, is of the opinion that disputes arising out of inter-governamental commodity agreements and not settled in the Commodity Council should be subject to Article 85 of the Charter.

SECTION D

Miscellaneous Provisions

1. In order to bring existing arrangements as far as possible into line with the general provisions, the Preparatory Committee agreed that members should inform the Organization about their participation in commodity arrangements existing at the time their obligations under the Charter come into force, and that they should accept the decision of the Organization on whether their continued participation is consistent with those obligations. A similar principle should apply to commodity arrangements which are in process of negotiation at the time obligations under the Charter come into force. One delegate opposed that any member should be free to withdraw from the Organization if it considers it impossible to be guided by the decision adopted by the Organization in these matters and if, on appeal, the Organization does not modify the decision in question.

Reference

Chap. VII. Function

Article 48, Paragraph (a).
Invitation to certain members and non-members to appoint representatives to a study group.

Article 48, Paragraph (3).
The study group makes recommendations to the Organization as to how best to deal with difficulties.

Article 49, Paragraph (1).
Convening of Commodity Conference ...

Article 49, Paragraph (2).
Invitation to non-members to participate in Commodity Conference.

Article 50, Paragraph (1).
Receipt of studies, or of request for studies, from specialized agencies.

Article 50, Paragraph (2).
Requests to specialized agencies to take part in the work of the Commodity Conference.

Article 51, Paragraph (1).
Determination of whether terms are "no less favourable". Approval of terms of subsequent participation.

Article 51, Paragraph (4).
Invitation to non-members to participate in arrangements.

*Article 52, Paragraph (3).
Decision whether exceptional circumstances exist which would justify a regulatory agreement for a non-primary commodity.

Article 54, Paragraph (3).
Nomination of non-voting Chairman at request of Commodity Council.

Article 54, Paragraph (5).
Consultation regarding Secretariat ...

Article 54, Paragraph (6).
Approval of rules of procedure ...

Article 54, Paragraph (7).
Receipt of reports from Commodity Council, and requests to latter for special reports.

*Article 55 ...
Preparation and publication of a, review of operation of an agreement.

Disposal of archives, etc., on termination of an agreement.

Article 57, Paragraph (1).
Receipt of information regarding existing commodity arrangements; review and decision regarding continued participation.

Article 57, Paragraph (2).
Similar function in connection with negotiations.

General matters not specifically referred to in the Charter which are within the province of the Commodity Commission in its advisory capacity to the Executive Board.

2. The Preparatory Committee considers that all members of the Organization, whether party to a particular agreement or not, should undertake to give the most favourable possible consideration to any recommendation of the Coordinating Council for expanding the consumption of the primary commodity concerned.

3. Agreement was reached on certain categories of inter-governamental commodity arrangements which would not be subject to the provisions agreed for general application. In particular this applies to inter-governamental commodity arrangements from dealing with shortages as part of their operations.

4. The Preparatory Committee discussed the general question of escape clauses. It is thought that, where there is unreasonable delay in the proceedings of a study group or Commodity Conference, members may proceed by direct negotiations to the conclusion of an agreement, provided that it otherwise conforms to the agreed provisions. One delegate wished to go further and felt that there should be specific permission for vitally interested members to proceed, whereas the Commodity Conference fails to make a recommendation in favour of an agreement.

5. The Preparatory Committee also discussed the way in which the various functions outlined in the previous paragraphs should be allocated to the various organs of the International Trade Organization, and agreed on suggestions for the consideration of the Drafting Committee, which is requested to introduce such commodity arrangements, which have been prepared by the Preparatory Committee.

Suggested Authority within Organization

Executive Board on the recommendation of the Commodity Commission; the latter will carry out actual administrative arrangements for the study group.

Recommendations received by Commodity Commission and transmitted to members of the Organization through Executive Board.

Executive Board.

ditto

Commodity Commission.

Executive Board on the recommendation of the Commodity Commission.

ditto
ditto

Executive Board advised by the Commodity Commission, subject to procedures established by the Conference.

Executive Board on the recommendation of the Commodity Commission.

Commodity Commission (Ref. paragraph 8 of Article 66, of U.S. Draft Charter).

ditto
ditto

Commodity Commission (Ref. paragraph 7 of Article 66, of U.S. Draft Charter).


Preparation by the Commodity Commission; publication by authority of the Executive Board.

Documents in charge of Director-General.

Executive Board (subject to approval of the Conference) upon recommendation of the Commodity Commission.

Executive Board (subject to approval of the Conference) upon recommendation of the Commodity Commission.

*With reference to paragraphs (1) and (3) of Article 52 it would appear that the determination whether the circumstances in fact exist in which a regulatory agreement may be used will be made "by consultation among the members having an important interest in the trade in the product concerned." Paragraphs (6) of Article 66 of the Charter, read together with paragraph (3) of Article 66 and sub-paragraph (2) of Article 42 of the United States Draft Charter.
CHAPTER VI
Establishment of an International Trade Organization

SECTION A
General Observations

It will be appreciated that this part of the work of the Preparatory Committee depended very largely on the outcome of other work which was being done simultaneously. For this reason it was impossible to carry many matters concerning administration and organization to an advanced stage of discussion.

SECTION B
Purposes of the Organization

The Preparatory Committee considers that any discussions on this subject should be postponed until the structure of the Organization can be seen as a whole.

SECTION C
Membership and Functions

1. The provisions of the United States Draft Charter relating to membership of the Organization were generally agreed. It was agreed that the members of the Organization should be those countries represented in the United Nations Conference on Trade and Employment which accept the Charter by a given date or, in the event of the Charter not being brought into force by that date, the countries which agree to bring the Charter into force among themselves. With reference to the admission of new members, however, the Preparatory Committee considers that the authority of the Conference to act in this matter on its own initiative should be made clear to this end, although admission might be sponsored by the Executive Board, the prior recommendation of the Board should not, as in the case of the Security Council of the United Nations, be a pre-requisite to approval by the Conference.

2. In considering the functions of the Organization the point was made that it might prove necessary to amplify or expand the provisions of the relevant Article of the United States Draft Charter to correspond with possible new chapters of the Charter dealing respectively with employment policy and industrial development. One delegate considered that the implications of the provision concerning technical advice and assistance to members and to other international organizations were not sufficiently clear and entered a reservation that, at the appropriate time, the responsibilities to be undertaken by the International Trade Organization in this respect would need to be more precisely determined. It would have to be decided, for example, whether the intention was that the International Trade Organization should employ a large staff of experts or whether it should act merely as a clearing house to which governments could turn for assistance and advice.

3. There was general agreement to a proposal that the International Trade Organization should not only endeavour to bring about international agreements on matters within its competence, but should actively promote their acceptance by members.

4. It was explained that the term “arts” in the Charter was intended to be interpreted broadly and to include copyright for designs of many kinds. Bilateral agreements under this provision would certainly not be barred here, but it was pointed out that any application was desirable. It was emphasized that the provision concerning co-operation with the United Nations in the restoration and maintenance of international trade and security was specifically intended to ensure that the Organization would possess all the constitutional authority necessary to enable it to assist the Security Council, if called upon to do so. Emphasis was given also to the desirability of co-operating closely with the United Nations and other specialized agencies in achieving an economy of effort in the carrying out of the functions of the Organization.

SECTION D
The Conference

1. The provisions of the United States Draft Charter relating to membership of the Conference, sessions, procedure and officers were approved without change. Consideration was given to the question whether the President of the Conference should be elected annually or for each session, the majority opinion favouring the former arrangement on the grounds that procedural delays would thereby be avoided in the event of special sessions being convened. The Preparatory Committee recommends that when the rules of procedure of the Conference are being drafted, consideration should be given to the possibility of including some appropriate provision which would enable a special session to be called at the request of less than a majority of the members. Such a provision might apply, for example, in connection with appeals against decisions of the Executive Board.

2. In discussing the powers of the Conference to suspend, in exceptional circumstances, obligations undertaken by member countries under the general provisions or the special policy provisions of the Charter, it was suggested that this power might be extended to cover all obligations under the Charter. It was stated that the waiving of such obligations was intended to apply only in cases of an exceptional nature, involving hardship to a particular member, which were not covered by specific escape clauses. It was finally agreed that all the obligations undertaken by members, pursuant to the Charter, should come within the purview of this general provision.

3. As regards the apportionment of expenses some delegates urged the adoption of the same relative scale of contributions as used in the case of the United Nations, on the grounds that the difficulties attendant upon the working out of a new scale would thus be avoided. However, as the decision on the United Nations scale of contributions has not yet been made known and the question of voting in the Organization and of membership of the Executive Board has not yet to be decided, the Preparatory Committee is of the opinion that at this stage it would recommend, in the absence of any other agreed arrangement, apportionment of expenses should follow the general principles adopted by the United Nations.

4. In discussing the powers of the Conference to establish the procedures required for making recommendations and recommendations provided in the Charter, one delegate desired that a two-thirds majority should be required in important matters. However it was agreed that it would be best to adhere to the broad principle that all decisions, except possibly those of an im-ortant nature, should be voted by a simple majority.

5. Since it was agreed that one of the functions of the Organization should be to make recommendations for international conventions and agreements on matters within its competence, it seemed desirable that a provision to this effect should be included among the powers and duties expressly conferred upon the Conference. To this end agreement was reached on a provision (based on the corresponding article of the Constitution of the World Health Organization) authorizing the Conference to develop and recommend conventions and agreements for members’ acceptance, and requiring members to give such recommendations due consideration and to decide, within a reasonable time, either to accept or to reject them.

SECTION E
Voting and Executive Board Membership

1. In the discussion on voting divergent schools of thought emerged as to whether some formal provision should be made in the Charter whereby differences in importance in international trade problems, or divergent individual members involved, would be reflected in the measure of control they would exercise over the affairs of the International Trade Organization. One school maintained that the democratic approach to the problem was to allow an equal voice and vote to all members and that the successful functioning of the Conference would depend in large measure upon a feeling of equality. Certain delegates, however, contended that because the International Trade Organization was not a functional rather than a political body, it would not be democratic to permit those with a smaller proportionate share of international trade to overrule those whose share was much larger, merely by virtue of their larger number of separate votes.

2. It was also suggested that it would be anomalous to have only one vote for countries having responsibility for dependent territories, the economies of which differed radically from their own and on which the executive measure of autonomy in matters covered by the Organization. The majority of delegates favoured in principle the system of one country-one vote, but several
who did so, expressed willingness to consider alternatives. In the course of discussion many shades of opinion were discernible, but it was generally agreed that at this stage a full exchange of views was more desirable than any attempt to reach final agreement.

3. Two broad alternatives to the United States Draft Charter were advanced—a system of weighted voting in the Executive Board and permanent seats on the Executive Board. The interdependence of these two possibilities was recognized by discussing them in conjunction.

**Weighted Voting**

4.—(a) Several delegates declared their difficulty in expressing any definite views on the subject of weighted voting without considering concrete schemes. A paper was subsequently circulated suggesting that consideration should be given to a weighted system of voting both in the Conference and Executive Board, based on a formula which provided for

(i) a basic number of votes for each country, and
(ii) a number of votes based on total external trade, plus perhaps
(iii) a number of votes based on national income.

(b) It was also suggested that the incidence of voting should be assessed periodically to take account of the changing relative position of members—a factor which some delegates thought might be provided for by criteria measuring potential development. A ceiling for the number of votes which any one country might have was subsequently proposed. In advancing these proposals the arrangements made in connection with the International Labour Organization, the International Monetary Fund, the International Bank for Reconstruction and Development and the Provisional International Civil Aviation Organization were quoted as precedents for a differential system in connection with membership of the Governing Body. The arrangements of the International Labour Organization were explained by a representative of that organization. Certain delegates thought that some of these precedents were irrelevant and stressed the difficulty of any kind of formula which would be acceptable to all potential members, together with the protection afforded to members by the requirement of an affirmative vote of two-thirds of the Conference for decisive action.

(c) Other delegates only discussed the proposals on the hypothesis of a weighted system being adopted, without prejudice to their preference for the one nation-one vote principle. The criteria put forward were criticized on the following grounds:

(i) undue weight would be given to small countries with a large external trade at the expense of countries with a large population whose external, as compared with internal, trade is relatively small.

(ii) from the democratic point of view population should be given the greatest weight.

(iii) national wealth would be a preferable criterion to national income.

(iv) countries, relatively more dependent on international trade than others, should have extra voting strength accordingly.

(v) national income would weight voting in favour of members whose international trade was relatively less important to themselves.

(vi) the interests of less developed countries would be insufficiently safeguarded.

(vii) the methods of estimating the figures on which the criteria depend differed considerably from country to country.

(viii) the proposals were not clear as far as voting on the Executive Board was concerned.

(d) This question is referred to the Drafting Committee for the elaboration and exposition of alternative schemes of weighted voting which governments might consider (although there is some doubt whether this function falls within the Committee's terms of reference).

**Executive Board—Membership.**

5.—(a) Many members of the Preparatory Committee, including among them both the sponsors and opponents of weighted voting, felt that there should be provision for permanent seats on the Executive Board for members of chief economic importance. Several delegates, though favoring equality of voting in the Conference, were ready to support the principle of permanent seats on the Board, largely on the grounds that the continuous support and participation of these countries was essential to the success of the International Trade Organization. It was suggested on the other hand that any special provision was superfluous because the re-election of these countries was always virtually certain.

(b) A variation of the idea of permanent seats was proposed by which the Executive Board would rotate, but with a certain number of countries eligible for immediate re-election. This would avoid any necessity for formal mention of permanent seats in the Charter.

(c) It was suggested that it would be better to establish criteria for selecting permanent members rather than to name them in the Charter, though the latter procedure was mentioned as a possibility. Various alternatives were advanced. While some delegates thought that tests of economic importance such as external trade and population should be applied, others maintained that wider considerations than purely economic ones should be taken into account. Some delegates thought that geographical criteria should be applied in conjunction with economic. A scheme was submitted by which the seats would be allotted for five years terms with eligibility for immediate re-election, to the most important trading countries within the geographical areas of Europe (2), North America (2), Latin America (4), Asia (4), Oceania (1) and Africa (1). This was opposed on the grounds that the only justification for permanent seats was the difference in importance of members in international trade, a factor which was in the dependence of location. It was suggested, however, that geographical considerations might be applied to non-permanent seats.

(d) The number of permanent and non-permanent seats was also considered. An increase of the total from fifteen, as proposed in the United States Draft Charter, to twenty was advocated by some delegates, though others thought a membership of twenty too large for the smooth working of an executive organ.

(e) The opinion was also expressed, however, that the Board would need to work largely through sub-committees in any case. Importance was attached to the need for relating the number of seats on the Board to the number of members of the Organization. Some thought that the position should be left elastic until this could be determined. Various proportions of permanent to non-permanent seats were tentatively mentioned without any particular proposition receiving detailed consideration or wide acceptance.

6. The conclusions which emerged from the Preparatory Committee's deliberations on the subject of Voting and Executive Board Membership may be briefly stated as follows:

(a) the majority of delegates favoured the principle of one country—one vote in the Conference and in the Executive Board.

(b) a minority desired detailed examination of possible schemes for weighted voting, but not necessarily at this stage.

(c) the principle of permanent seats on the Executive Board in some form is acceptable to most delegates.

(d) the three-year period of membership of the Board set out in the United States Draft Charter was largely unopposed.

(e) no useful purpose would be served by attempting to produce a definitive draft covering these particular provisions, until such time as the substantive issues involved have been more completely resolved.

7. No firm conclusions were reached on the following matters:

(a) the number of seats on the Executive Board.

(b) the relative number of permanent seats (if any) and non-permanent.

(c) rotational membership of Executive Board.

(d) the criteria for electing members of the Executive Board, either for permanent or non-permanent seats.

**Section 7**

The Executive Board—Procedure, Powers and Duties

7. The text of the United States Draft Charter, insofar as it concerns the powers and duties of the Executive Board, was accepted with only two amendments of which, however, were indicative of two basic concepts, shared by the majority of delegates, as to the general
status and authority of the Executive Board vis-à-vis the Conference on the one hand, and the Commissions, on the other. The first amendment was to make perfunctory rather than mandatory, the power of the Board to recommend to the Conference the admission of new members, thus emphasizing what most delegates felt should be the clearly subordinate position of the former. Similarly it was thought that the Commissions, in turn, should be definitely subordinate to the Board and to give added emphasis to this principle it was decided that the latter should not "review" the activities of the former.

2. There was a disposition, however, to allow a maximum of latitude to the Board in drawing up its own rules of procedure and electing its officers, though certain specific suggestions were made in this regard to which it was hoped due consideration would be given. It was generally conceded that in certain circumstances it should be possible for a minority of members of the Board or for a specified number of members of the Organization not represented on the Board, to convene a session. In discussing the term of office of the Chairman, the desirability of providing for a reasonable measure of continuity was stressed by several delegates. Whilst, on the whole, the advantages of annual elections were deemed to outweigh the disadvantages, a satisfactory compromise was found by specifically providing that the Chairman and other officers should be eligible for immediate re-election. A reservation concerning the reference to "other officers" was withdrawn on the understanding that the term referred only to members of the Board themselves and not to officials of the Secretariat. A proposal that the Chairman of the Board should be able to participate in the deliberations of the Conference in his capacity of Chairman, though without the right to vote, found general acceptance. It was, of course, recognized that the Chairman of the Executive Board would probably attend the Conference as a representative of his government. Nevertheless, there was the thought desirable to cover the contingency of his not attending in such representative capacity and that some other person should be entitled, under the Charter, to at least the same rights with respect to participation in the Conference as are accorded chairmen of commissions.

3. Agreement was reached also on the desirability of including in the Charter a provision under which any member of the Organization would have the right to appear and effectively present its case before the Executive Board, when a matter of particular and substantial concern to that member was under consideration. The provision, as accepted, is based on Article 31 of the Charter of the United Nations but is somewhat more precisely drawn in that it grants to the member concerned, all the rights of a full member of the Board and the right to vote. At least one delegate, however, expressed serious misgivings lest this arrangement should have the effect of embarassing the Board by precluding it from holding confidential discussions on any subject or from dealing effectively with matters of general application. Another delegate suggested that the Board should not be under any firm obligation to invite members to attend its sessions but should do so at its discretion.

SECTION G

The Commissions

1. The Preparatory Committee discussed the Commissions in general terms, particular attention being paid to their creation and procedure. The desirability of establishing commissions as an essential part of the structure of an International Trade Organization to perform certain specialized tasks was in no way questioned. There was a tendency to treat the matter rather tentatively, largely because delegates felt that the structure, functions and status of commissions and the manner in which they would operate, could not at present be foreseen in much detail. Various views were expressed however, as to the more important considerations to be borne in mind.

2. The Preparatory Committee is of the opinion that the Commissions should be subordinate to the Executive Board. The extent to which they should operate other than in a strictly advisory capacity is, however, a question which it is felt cannot be fully resolved at present. Some delegates expressed the opinion that the Commissions should not be called upon to undertake responsibilities of a semi-judicial nature and considered that, in this respect, the wording of Articles 64, 65 and 66 of the United States Draft Charter raised certain doubts as to the functions which the Commissions were designed to perform. It was argued in support of this view that only representatives of governments, however high their status, should be directly responsible for important executive and judicial decisions.

3. There was general agreement with the proposal that the Commissions should consist of outstanding experts of high prestige in their own fields who would operate independently of their governments. One delegate, however, in agreeing in principle with this proposal, was of the opinion that the governments concerned should in all cases be consulted regarding appointments to commissions and that it should be expressly provided that not more than one national from any country should serve on any one Commission. The majority of delegates, however, felt that in the general these conditions would, in fact, be complied with and that it was unnecessary and undesirable, therefore, to write them into the Charter itself.

4. The Preparatory Committee considers that in appointing members of Commissions due regard should be paid to the importance of selecting persons as widely geographical basis as possible. In this connection it was agreed that the possibility of being disturbed with respect to the admission of new members of the Organization, particularly in case of less developed countries, should also be borne in mind. Various opinions were expressed on the desirability of having one or more of the members of the Commissions should serve on a part-time or full-time basis. While certain delegates anticipated that the work of at least some of the Commissions would be so heavy and continuous that full time service might be essential, others thought that this would greatly lessen their value to the Organization. In this respect no was felt for changing the text of the United States Draft Charter which did, in the view of many, fall short on a full time, basis, and it is, therefore, recommended that provision be made accordingly in the rules of procedure to be drawn up by each Commission.

5. The question of relationship between the personnel of the Commissions on the one hand, and the Director-General and the personnel of the Secretariat on the other, was raised on the occasion of the reports to the Conference. The idea of this view that a certain amount of concern. While it was acknowledged that the secretariat should serve the Commissions, it was suggested by a number of delegates that the respective functions, responsibilities and status of the Director-General and of members of the Commissions would need to be more carefully defined. In case of delegates were the latter were to become permanent officials of the Organization the desirability of the Commissions having greater freedom of action and the Executive Board directly rather than through the Director-General is particularly stressed. At the same time, however, serious misgivings were expressed lest twopenalty bodies of officials of differing status should be created within the United Organization thus opening up the possibility of divided authority with attendant friction and confusion. The difficulty of attracting, on a permanent basis, persons of the calibers required and the possible expense which this would involve were also pointed out.

6. The Preparatory Committee is of the opinion that these questions cannot be profitably pursued further until the structure of the Organization as a whole begins to take shape. Moreover the number and nature of the Commissions, which might ultimately be required, cannot be now foreseen. Agreement was reached, however, on certain minor amendments to the relevant provisions of the United States Draft Charter, the general purpose of which is to give to those provisions a somewhat greater measure of elasticity, having regard to the uncertainties of the future. Subject to the views expressed being given proper consideration when appropriate action is taken, the Committee regards the amended provisions as incorporated in the agreed text as satisfactory.

7. The provisions of the United States Draft Charter dealing with the functions of the Commissions, e.g., Tariff Policy, Business Practices and Commodities respectively were discussed in general terms. These particular provisions were left as they stand in the United States Draft, the general purpose of which is to give to those provisions a somewhat greater measure of elasticity, having regard to the uncertainties of the future. Subject to the views expressed being given proper consideration when appropriate action is taken, the Committee regards the amended provisions as incorporated in the agreed text as satisfactory.
Industrialization and Employment." In view of the resolution regarding international action in the field of employment drafted by the Preparatory Committee for the consideration of the United Nations Conference on Trade and Employment, the question of this matter is deferred until a later date.

SECTION II
The Secretariat

1. The Preparatory Committee feels that the structure of the International Trade Organization including that of the Secretariat, should be brought into the closest possible relationship with the United Nations, for reasons which include economy, the shortage of skilled personnel, co-ordination of policy, prevention of overlapping, and the avoidance of any possible separatist tendency. The necessity of ensuring proper co-ordination with the Economic and Social Council itself, in order to avoid needless duplication of work on identical or closely related problems, was particularly stressed. Common services and staff conditions for the various international economic secretariats now being built up or in contemplation were advocated wherever possible.

2. Some delegates thought that, with respect to certain phases of its work, the International Trade Organization might make appropriate use of the economic secretariat of the United Nations, and that it would be an advantage from this viewpoint if the International Trade Organization were located in the same place. Most delegates, however, were not prepared to offer any definite views on the question of the site at this stage.

3. In general it was agreed that detailed consideration of the question of interlocking staff arrangements would be premature and that the Secretariat of the United Nations should be asked to furnish relevant information and suggestions for consideration at the appropriate time. Certain preliminary observations and proposals concerning the co-ordination and integration of services and activities of secretariats were subsequently circulated in response to this request. Several delegates indicated that the cost of maintaining a multiplicity of separate international organizations was already showing signs of assuming considerable proportions and that the expenses of the International Trade Organization should, therefore, be kept to the minimum consistent with efficiency.

4. The principle was generally accepted that provisions relating to the organization of the secretariat should be as flexible as possible, particularly with reference to the number, status and powers of Deputy Directors-General, and that, as a corollary, the Director-General should be given all the authority and freedom of action necessary for carrying out his responsibilities. Most delegates agreed that the position of the Director-General should be made as strong as possible in relation to that of other officials of the secretariat, and that any specific reference in the Charter to either the number or functions of Deputy Directors-General should consequently be omitted. This decision was felt to be justified on the grounds, firstly, that if the Director-General could be assured that the secretariat would not be divided against him, the relative authority of the Director-General would be enhanced, and, secondly, that it should be left to the Director-General to appoint only such number of deputies as he felt to be in fact needed. Appointments should in any case be in accordance with regulations approved by the Conference. A proposal that the Director-General be ex-officio non-voting Chairman of the Executive Board was not supported.

5. While delegates agreed that efficiency, competence and integrity should be the paramount considerations in recruiting personnel for the secretariat, many thought that adequate geographical representation and familiarity with different kinds of economic conditions and interests, should also be taken substantially into account. The Preparatory Committee drafted a provision which is intended to give effect to this principle, and to conform to the corresponding provision in the Charter of the United Nations. Some delegates suggested that personnel of the secretariat and Commissions should be recruited only from member nations of the International Trade Organization. Others considered that such a provision would be unduly restrictive, and that employment should be open to nationals of all members of the United Nations, subject, perhaps, to some measure of preference being given to nationals of the member nations of the Organization. The Preparatory Committee also considers that specific provisions regarding nationality should not be included in the Charter, and that, if open to the occasional recruitment of exceptionally qualified persons, who otherwise would not be eligible, it, in the Director-General's opinion and subject to such consultation as he may deem advisable, the services of such persons would be of special value to the Organization.

SECTION I
Miscellaneous provisions

1. Relations with other Organizations

(a) Those provisions of the United States Draft Charter, which deal with questions of relationship between the International Trade Organization and other international organizations found ready acceptance. The useful part of these organizations, both inter-governmental and non-governmental, might play in helping to promote the objectives of the International Trade Organization is generally recognized.

(b) Although many delegates were willing to leave the Director-General the negotiation of a formal agreement with the United Nations according to the procedures set by other specialized agencies, the opinion was also expressed that the provisions of such an agreement should be worked out in detail beforehand, with a view to their becoming operative as soon as the International Trade Organization became operational. Some delegates agreed, however, with the general proposition that in the interests of economcal and efficient administration, and for the purpose of avoiding inconsistent and even conflicting policies, it was of the greatest importance that the International Trade Organization, if it were to achieve its closest possible co-operation with the United Nations, and particularly with the Economic and Social Council, should be specially developed.

(c) There was general agreement, too, with the view that it would be undesirable to refer specifically to any particular organization in the provision of the Charter dealing with relations with other inter-governmental organizations in view of the fact that the activities and responsibilities of a number of these organizations will be of special importance from the point of view of the International Trade Organization. The importance of the Food and Agricultural Organization, of the International Monetary Fund, of the International Bank for Reconstruction and Development and of the International Labour Organization in relation to the work of the International Trade Organization is particularly stressed.

2. Legal Capacity, Privileges and Immunities

The provisions of the United States Draft Charter dealing with the legal capacity, privileges and immunities of the Organization were approved without change. In view of the fact that the Secretariat-General of the United Nations is under instructions from the General Assembly to consult with specialized agencies on the subject of privileges and immunities in view of their responsible degree of uniformity in the arrangements made for all inter-governmental and specialized organizations, the Preparatory Committee feels that the provisions of the Charter relating to these matters should be expressed in general rather than specific terms, leaving the formulation of their detailed application to the Conference.

3. Payment of Contributions

The Preparatory Committee considers that a penalty clause with reference to non-payment of contributions should be incorporated in the Charter. Some discussion took place, however, as to the appropriate place in the Charter for a provision of this nature, the matter being finally left to the decision of the Drafting Committee. In order to bring the procedure of the International Trade Organization into line with that adopted by the United Nations, a suggestion that the wording of this particular provision should conform to that used in the Charter of the United Nations met with general support.

4. Amendments

(a) While it was generally recognized that the Organization should be so constituted as to allow it to meet constitutional changes of a minor kind without difficulty, several delegates thought that a member not accepting amendments, which involve new obligations would be in an anomalous position in its relationship to the Organization, if it were not permissible for the member to withdraw.

(b) It was, therefore, felt that provision should be made whereby the Conference might decide that a non-accepting member would be compelled to withdraw or, in
the absence of such a decision, whereby such a member might be enabled voluntarily to withdraw, notwithstanding any general provisions contained in the Charter limiting the right of withdrawal.

5. Withdrawal

In considering withdrawal and termination account was taken of the necessity of giving the Organization a fair chance at its inception to become firmly established. It was felt, nevertheless, in view of the fact that the trade agreements legislation of the United States would not permit that country to enter into tariff commitments of more than three years' duration, that the period immediately following the adoption of the Charter, within which no withdrawals should take place, should likewise be three years, instead of five as proposed in the United States Draft Charter. It was also felt that six months' notice of intention to withdraw, rather than one year (as in the United States Draft Charter), would be adequate. Thus, a member would be able to withdraw at the end of three years, by giving notice at the end of two and a half years. Special provision was also made to cover certain overseas territories of members.

6. Interpretation and Settlement of Disputes

(a) It was agreed to make the English, Chinese, French and Spanish texts of the Charter equally authoritative. The question of providing also a Russian text did not present itself at the First Session.

(b) Attention was called to the possibility of a special chamber being established under Article 26 of the Statute of the International Court of Justice. There was some doubt, however, as to whether illicit traffic should come under the jurisdiction of the International Trade Organization. Several delegates thought that the Chartered Organization should be final in administrative matters coming within its province and that only legal issues should be referred to courts or some sort of international tribunal. It was generally agreed that the Executive Board, where appropriate, could refer disputes to the Special Commission for preliminary inquiry, some division was voiced at the idea of limitations being formally regarded as courts of first instance.

(c) Considerable discussion took place on whether appeals to the International Court of Justice from rulings of the Conference on justifiable issues should be subject to the consent of the Conference. It was argued that some limitation was necessary both to keep the prestige of the International Trade Organization high and to avoid overloading the International Court. The contrary view was that only justifiable matters were involved in which the International Trade Organization was not expert, and that, in practice, countries would only appeal on issues which they regarded as really important. Some compulsory delay was also suggested.

(d) The Preparatory Committee eventually agreed that the right of appeal should be subject to procedures established by the Conference, and that in determining these procedures, consideration should be given to incorporation as a pre-requisite of an affirmative vote of at least one-third of the members of the Conference. The absolute right of appeal to the International Court of Justice in security matters, as set out in the United States Draft Charter, was not called into question.

(e) All delegates thought that the authority of the International Trade Organization to seek advisory opinions from the International Court of Justice should be continu- ing, subject to reference to the General Assembly of the United Nations on each occasion. The Article concerned was relegated to accord with the language of the Charter of the United Nations. Although the incorporation of this wording was open to question, it was thought that the matter could be clarified in the agreement to be concluded under Article 57 of the Charter of the United Nations.

(f) It was agreed to refer to the Registrar of the International Court of Justice the question whether complications would be likely to arise from asking the Court for an advisory opinion on a matter which might subsequently become the subject of a case before it.

(g) It was agreed also that in view of paragraph 2 of Article 34 of the Statute of the International Court of Justice, the rules of the Conference should enable the Director-General to represent the Organization before the Court.

(h) The introduction of detailed discussion on arbitration raised considerable difficulty because delegates were by no means clear as to what limits should be imposed on arbitration. A lengthy discussion took place on whether administrative as well as legal questions should be referred to arbitration, whether the Executive Board should seek the consent of the parties concerned and whether the arbitrators' decision should be final (most delegates agreed that it should). An amendment was agreed upon which would permit the Executive Board, with the consent of the parties concerned, to refer an arbitral issue involved any matter arising out of the operation of the Charter.

(i) Certain delegates wished the provisions in regard to arbitration under the International Court of Justice to be expanded and made more specific, and they undertook to prepare a memorandum setting out their views. The Drafting Committee is asked to consider these views in conjunction with the verbatim report of Committee V's discussions of this subject.

7. Entry into Force

(a) One delegate suggested that, instead of requiring a membership of twenty years to bring the Charter into force, an alternative method might be to provide for its taking effect when a certain proportion of world trade was covered by countries accepting its provisions, so that the entry of the Charter into force should not be delayed after its acceptance by the most important trading countries. Various objections to this procedure were voiced by other delegates.

(b) In general, the procedures suggested in the United States Draft Charter for bringing the Charter into force are regarded as satisfactory by the Preparatory Committee subject to the amendment that any instrument of acceptance deposited with the Secretary-General of the United Nations is to be taken as covering both procedures unless it expressly provides to the contrary or is withdrawn.

(c) This was intended to cover the situation that might arise when one or more governments, having deposited their acceptances before a given date (pursuant to paragraphs (a) of Article 83) might not feel that the Organization should it subsequently come into existence as a result of agreement on the part of a relatively limited number of Governments (pursuant to paragraphs (c) to paragraphs (g) of Article 83), but might nevertheless wish their acceptance to take effect when the membership reaches twenty or more.

(d) With reference to the suggested provision under which each government accepting the Charter would do so in respect of all dependent territories, attention was drawn to the fact that certain overseas territories were in varying degrees of development and, in some cases, were self-governing in matters provided for in the Charter. To meet this situation a less rigid provision was agreed upon, the purpose of which is to permit a measure of discretion to the governments concerned with respect to their acceptance of the Charter on behalf of territories for which they have international responsibility. Reservations regarding this provision were entered by three delegates.

8. Interim Tariff Committees

(a) At its Second Session at which tariff concessions will be discussed, the Preparatory Committee hopes that certain reductions of tariffs or other concessions will be agreed to. So far as we are concerned, the Committee considers that it might be desirable to bring these reductions or concessions into effect as soon as possible, without necessarily waiting upon the entry into force of the Charter. It would be for the participating countries themselves to decide the time. When the Organization is set up, it is hoped that the countries, which have reduced their tariffs, will join it. These countries will be those of the membership of the Preparatory Tariff Committee, which would be supplemented by other countries joining the Organization, and which themselves have made equivalent tariff concessions to the satisfaction of the Committee. When two-thirds of the members of the Organization become members of the Committee, the functions of the latter will vest in the Committee.

(b) The Preparatory Committee is of the opinion that for countries making reductions membership of the Interim Tariff Committee should be compulsory.

(c) A reservation was made regarding the position of members who did not desire to join the Committee.

(d) A suggestion was made that if weighted voting were introduced, it might be applied in the case of the Interim Tariff Committee.

(e) A provisional view was expressed that the imple- mentation of tariff agreements and of the Charter should be interdependent.
APPENDIX

Charter of the International Trade Organization of the United Nations

ESTABLISHMENT

The International Trade Organization of the United Nations is hereby established and shall operate in accordance with the provisions which follow.

CHAPTER I

Purposes

ARTICLE 1

General Purposes of the Organization.

To be considered and drafted at a later stage.*

CHAPTER II

Membership

ARTICLE 2

(1) The original Members of the Organization shall be those governments represented at the United Nations Conference on Trade and Employment which accept the provisions of this Charter before 31 December, 1947 or, in the event that this Charter has not entered into force by that date, those countries which agree to bring this Charter into force pursuant to the proviso to paragraph (3) of Article 88.

(2) Membership in the Organization shall be open to each other countries which accept the provisions of this Charter, subject to the approval of the Conference.

(3) The Conference shall establish procedures that will open a membership in the Organization to the United Nations or, in the event of the United Nations, is the administering authority.

CHAPTER III

Employment

ARTICLE 3

Relation of Employment to the Purposes of the Organization.

(1) Members recognize that the avoidance of unemployment or under-employment through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of high and steadily rising effective demand for goods and services is not of domestic concern alone, but is a necessary condition for the expansion of international trade and, in general, for the realization of the purposes of the Organization. They also recognize that measures to sustain demand and employment should be consistent with the other purposes and provisions of the Organization, and that in the choice of such measures, each country should seek to avoid creating balance of payments difficulties for other countries.

(2) They agree that, whilst the achievement and maintenance of effective demand and employment must depend primarily on domestic measures, such measures should be assisted by the regular exchange of information and views among members and, so far as possible, be supplemented by international action sponsored by the Economic and Social Council of the United Nations and carried out in collaboration with the appropriate inter-governmental organizations, acting within their respective spheres and consistently with the terms and purposes of their basic instruments.

ARTICLE 4

The Maintenance of Domestic Employment

Members shall take action designed to achieve and maintain full and productive employment and high and stable levels of effective demand within their own jurisdiction through measures appropriate to their political and economic institutions and compatible with the other purposes of the Organization.

ARTICLE 5

The Development of Domestic Resources and Productivity

Members, recognizing that all countries have a common interest in the productive use of the world’s resources, agree to take action designed progressively to develop economic resources and to raise standards of productivity within their jurisdiction through measures compatible with the other purposes of the Organization.

* See Part II, Chapter VI, Section 12.

56308

ARTICLE 6

Fair Labour Standards

Members, recognizing that all countries have a common interest in the maintenance of fair labour standards related to national productivity, agree to take whatever action may be appropriate and feasible to eliminate sub-standard conditions of labour in production for export and generally throughout their jurisdiction.

ARTICLE 7

The Removal of Maladjustments in the Balance of Payments

Members agree that, in case of a fundamental disequilibrium in their balance of payments involving other countries in persistent balance of payments difficulties, which handicap them in maintaining employment, they will make their full contribution to action designed to correct the maladjustment.

ARTICLE 8

Safeguards for Countries subject to External Deflationary Pressures

The Organization shall have regard, in the exercise of its functions as defined in the other articles of this Charter, to the need of Members to take action within the provisions of this Charter, to safeguard their economies against deflationary pressure in the event of a serious or abrupt decline in the effective demand of other countries.

ARTICLE 9

Consultation and Exchange of Information on Matters Relating to Employment

Members agree to participate in arrangements undertaken or sponsored by the Economic and Social Council of the United Nations, including arrangements with the appropriate inter-governmental organizations, for the regular collection, analysis and exchange of information on domestic employment problems, trends and policies, including as far as possible information relating to national income, demand, and the balance of payments; and

(2) for consultation with a view to concerted action on the part of governments and inter-governmental organizations in the field of employment policies.

CHAPTER IV

Economic Development

ARTICLE 10

Importance of Economic Development

Members recognize that the industrial and general economic development of all countries and in particular of those countries whose resources are as yet relatively undeveloped will improve opportunities for employment, enhance the productivity of labor, increase the demand for goods and services, contribute to economic stability, expand international trade and raise levels of real income, thus strengthening the ties of international understanding and accord.

ARTICLE 11

Plants for Economic Development

(1) Members undertake to promote the continuing industrial and general economic development of their respective countries and territories in order to assist in realizing the purposes of the Organization.

(2) Members agree that they will co-operate through the Economic and Social Council of the United Nations and the appropriate inter-governmental organizations in promoting industrial and general economic development.

(3) The Organization, at the request of any Member, shall advise such Member concerning its plans for economic development and, within its competence and resources, shall provide such Member with technical assistance in completing its plans and carrying out its programmes.*

* See Part II, Chapter II, Section 1, paragraph 5.

A 14
CHAPTER V

GENERAL COMMERCIAL POLICY

Section A.—General Commercial Provisions, Most-Favoured-Nation Treatment, Tariffs and Tariff Preferences etc.

ARTICLE 14

General Most-Favoured-Nation Treatment

(1) With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports and with respect to the method of levying such duties and charges and with respect to all rules and formalities in connection with importation or exportation and with respect to all matters affected by the provisions relating to national treatment in Article 15, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country, shall be accorded immediately and unconditionally to the like product originating in or destined for all other Members.

(2) The provisions of paragraph (1) shall not be construed to require the elimination of any preferences in respect of customs duties and other charges imposed on importation, which do not exceed the preferences remaining after the negotiations contemplated in Article 24 and which fall within the following descriptions:

(a) Preferences in force exclusively—

(i) between territories in respect of which there existed on 1 July 1939, common sovereignty or relations of protection or suzerainty, or

(ii) between the territories comprised in Annexure A to this Agreement, such the provision (i) applies shall provide a list of such territories, which lists shall be incorporated in a further annexure.

(b) Preferences in force exclusively between the United States of America and the Republic of Cuba.

(c) Preferences in force on 1 July 1946, exclusively between neighbouring countries.

Art. 15

*National Treatment on Internal Taxation and Regulation.*

Art. 16

*Freedom of Tran.*

Art. 17

*Antidumping and Countering Duties.*

Art. 18

*Tariff Valuation.*

Art. 19

*Customs Formalities.*

Art. 20

*Marks of Origin.*

Art. 21

*Publication and Administration of Trade Regulations—Advance Notice of Register Restrictions.*

Art. 22

*Information, Statistics and Trade Terminology.*

Art. 23

*Boycott.*

Section B.—Tariff and Tariff Preferences

ARTICLE 24

Reduction of Tariffs and Elimination of Preferences

(1) Each Member, other than a Member subject to the provisions of Article 13, shall, upon the request of any other Member or Members, enter into reciprocal and mutually advantageous negotiations with such other Member or Members directed to the substantial reduction of tariffs and other charges on imports and exports and to the elimination of import tariff preferences. These negotiations shall proceed in accordance with the following rules:

(a) Prior international commitments shall not be permitted to stand in the way of negotiations with respect to tariff preferences, it being understood that action
resulting from such negotiations shall not require the modification of existing international obligations, except by agreement between the contracting parties or, failing that, by termination of such obligations in accordance with their terms.

(9) All negotiated reductions in most-favoured-nation import tariffs shall operate automatically to reduce or eliminate margins of preference.

(10) The bulk or consolidation of low tariffs or of tariff-free treatment shall in principle be recognized as a composition of a substantial reduction of high tariffs or the elimination of tariff preferences.

(x) Each Member participating in negotiations pursuant to paragraph (1) shall keep the Organization informed of the progress thereof and shall transmit to the Organization a copy of the agreement or agreements incorporating the results of such negotiations.

(11) If any Member considers that any other Member has failed, within a reasonable period of time, to fulfill its obligations under paragraph (1), such Member may refer the matter to the Organization, which shall make an investigation and make appropriate recommendations to the Members concerned. The Organization, if it finds that a Member has, without sufficient justification, having regard to the provisions of the Charter as a whole, failed to negotiate with such complaining Member in accordance with the requirements of paragraph (1), may determine that the complaining Member, or in exceptional cases the Members of the Organization generally, shall, notwithstanding the provisions of Article 14, be entitled to withhold from the trade of the other Member any of the products which the complaining Member, or the Members of the Organization generally as the case may be, may have negotiated pursuant to paragraph (1). If such benefits have in fact been withheld or are to result in the application of the trade to the other Member of tariffs higher than would otherwise have been applicable, such other Member shall not be free to take the total of such action is taken, to withdraw from the Organization upon the expiration of sixty days from the date on which written notice of such withdrawal is received by the Organization. The provisions of this paragraph shall operate in accordance with the provisions of Article 67.

Section C—Quantitative Restrictions and Exchange Control

ARTICLE 25

General Elimination of Quantitative Restrictions

(1) Except as otherwise provided in this Charter, no prohibition or restriction, other than duties, taxes or other charges, whether made effective through quotas, import licencing procedures, or similar measures, shall be imposed or maintained by any Member on the importation of any product of any other Member or on the exportation or sale for export, of any product destined for any other Member.

(2) The provisions of paragraph (1) shall not extend to the following:

(a) Prohibitions or restrictions on imports or exports imposed or maintained during the early post-war transitional period, which are essential to

(i) the equitable distribution among the several countries, of the products in short supply, whether such products are owned by private interests or by the government of any Member, or

(ii) the maintenance of war-time price control by a country suffering shortages consequent to the war,

or

(iii) the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member or of industries developed in the territory of any Member owing to the exigencies of the war which it would be uneconomic to maintain in normal conditions.

Provided that restrictions under (ii) of this sub-paragraph may be imposed by any Member only after consultation with other interested Members with a view to appropriate international action. Import and export prohibitions and restrictions imposed or maintained under this sub-paragraph shall be removed as soon as the conditions giving rise to them have ceased, and in any event, not later than 1 July 1949.

Provided that this period may, with the concurrence of the Organization, be extended in respect of any product for further periods not to exceed six months each.

(b) Export prohibitions or restrictions temporarily imposed to relieve critical shortages of food-stuffs or other commodities for which there is an acute crisis.

(c) Import and export prohibitions or restrictions necessary to the application of standards for the classification and grading of commodities in international commerce. If, in the opinion of the Organization, the standards adopted by a Member under this sub-paragraph are likely to have an undue restrictive effect on trade, the Organization may request the Member to revise the standards. Provided that it shall not request the revision of standards internationally agreed under paragraph (6) of Article 22.

(d) Export or import quotas imposed under intergovernmental commodity agreements concluded in accordance with the provisions of Chapter VIII.

(e) Import restrictions on any agricultural or fishery product, imported in any form, necessary to the enforcement of governmental measures which operate

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced;

(ii) to remove a temporary surplus of the like domestic product by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level.

(f) Any Member imposing restrictions on the importation of any product pursuant to sub-paragraph (e) shall give public notice of the total quantity or value of the product permitted to be imported during a specified period and of any change in such quantity or value. Provided that, in any case, the question, which were en route at the time at which public notice was given, shall not be excluded but may be treated, subject to the quantity permitted to be imported in the period in question.

Moreover any restrictions imposed under (i) of sub-paragraph (e) shall be free of charge within sixty days after such action is taken, to withdraw from the Organization upon the expiration of sixty days from the date on which written notice of such withdrawal is received by the Organization. The provisions of this paragraph shall operate in accordance with the provisions of Article 67.

ARTICLE 26

Restrictions to Safeguard the Balance of Payments

(1) Members may not use import restrictions as a means of safeguarding their external financial position and as a step towards the restoration of equilibrium in a sound and lasting basis, particularly in view of increased demand for the imports needed to carry out their domestic employment, reconstitution, development and social policies. Accordingly, notwithstanding the provisions of Article 25, Members may restrict the quantity or value of merchandise permitted to be imported insofar as this is necessary to safeguard their balance of payments and monetary reserves. The use of import restrictions under this paragraph shall conform to the conditions and requirements set out in paragraphs (a), (3) and (4).

(2) Members undertake to observe the following principles in the use of such restrictions:

(a) To refrain from imposing new or intensifying existing restrictions except to the extent necessary (having due regard to any special factors which may be affecting the level of the Member's reserves, to any commitments or other circumstances, whether affecting its need for reserves, to any special credits or other resources which may be available to protect its reserves

(i) to stop, or to forestall the imminent threat of a serious decline in the level of monetary reserves; or

(ii) to preserve the stability of the exchange rates and the value of the monetary units involved.

The words in square brackets should be retained only if the matter is not fully covered in Article 22.
(ii) in the case of a Member with very low mone-
reserves to achieve a reasonable rate of increase in its reserves.

(b) To eliminate the restrictions when conditions would no longer justify the imposition of new restric-
tions under sub-paragraph (a), and to relax these pro-
gressively as such conditions are approached.

(c) Not to carry the imposition of new import re-
strictions or the intensification of existing restrictions un-
der sub-paragraph (a) to the point at which it in-
volves the complete exclusion of imports of any class of
goods.

(3) Any Member which, while not imposing restric-
tions under paragraphs (1) and (2), is considering the need
for the imposition of restrictions, before imposing such
restrictions (or, in conditions in which previous consulta-
tion is impracticable, as soon as possible after imposing
such restrictions) shall consult with the Organization as
to the nature of its balance of payments difficulties, the
various corrective measures which may be available and the
possible effects of such measures on the economies of
other Members. The Organization shall invite the Inter-
national Monetary Fund to participate in such consult-
atations. No Member shall be required to delay these dis-
cussions to indicate in advance the choice or timing of any
particular measures which it may ultimately determine to
adopt.

(b) The Organization may at any time invite any Mem-
ber to terminate or modify the restrictions under para-
graphs (1) and (2), to consult with it about the form and extent
of the restrictions and shall invite a Member substantially
imposing such restrictions to consult accordingly within
thirty days. Members agree to participate in such discus-
sions when so invited. In the course of such discussions the
Organizations shall consult the International Monetary
Fund and any other appropriate inter-governmental
organizations, in particular in regard to the alternative
methods available to the Member in question of meeting
its balance of payments difficulties. The Organizations
undertake to maintain under this sub-paragraph shall, within two years of its
institution, review all restrictions existing at its institution and subsequently maintained under paragraphs (1) and (2).

(c) Any Member applying or intending to apply restric-
tions on imports under paragraphs (1) and (2) may, if it so
desires, consult with the Organization with a view to
obtaining the previous approval of the Organization for restric-
tions which it intends to maintain or to impose or for the maintenance or imposition in the future of restric-
tions under specified conditions. The Organization shall
invite the International Monetary Fund to participate in the
consultations. As a result of such consultations the Organi-
tions may approve in advance the maintenance, imposition or intensification of import restrictions by the Member
in question insofar as the general extent, degree and duration of the restrictions are concerned. To the
extent to which such approval has been given, the action of
the Member imposing restrictions shall not be open to
challenge under sub-paragraph (d) insofar as it relates to actions taken in reliance on such paragraphs (1) and (2).

(d) Any Member, which considers that any other Mem-
ber is applying import restrictions under paragraphs (1)
and (2) in a manner inconsistent with the provisions of
these paragraphs or of Articles 27 or 28, or in a manner
which unnecessarily damages its commercial interests, may
bring the matter to the attention of the Organization.
The Member imposing the restrictions shall then participate in
discussion of the reasons for its action. The Organiza-
tion shall, if it is satisfied that there is prima facie case
that the complaining Member's interests are adversely affected under the complaint. It may then, after
consultation with the International Monetary Fund on any
matter falling within the competence of the Fund, recom-
mend the withdrawal or modification of restrictions which
determine are being applied in a manner inconsistent with
the provisions of paragraphs (1) and (2) or of Articles
27 or 28 or a manner which unnecessarily damages the
commercial interests of another Member. If restrictions are
not withdrawn or modified in accordance with the re-
commendation of the Organization within sixty days,
other Members shall be released from such obligations
imposed under this Chapter towards the Member applic-
ing the restrictions as the Organization may specify.

(e) The Organization in reaching its decision under sub-
paragraph (d), shall not recommend the withdrawal or
general relaxation of restrictions on the ground that the
existing or prospective balance of payments difficulties of
the Member in question could be avoided by a change in
that Member's domestic employment, reconstruction, de-
velopment or social policies. Members agree, however, that in carrying out such domestic policies they give due regard to the need to restore sound and lasting equilib-
rium in their balances of payments.

(4) In giving effect to the restrictions or imports im-
posed under this Article, a Member may select imports
for restriction on the grounds of essentiality in such a
way as to promote its domestic employment, reconstruc-
tion, development or social policies. In so doing the Mem-
ber shall avoid all unnecessary damage to the commer-
cial interest of other Members and will accept an invita-
tion to consult with any other Member which considers its
interests to be so damaged.

(5) If there is persistent and widespread application of
quantitative import restrictions under this Article, indi-
cating the existence of a general disequilibrium which is
restricting international trade, the Organization shall seek
consultation with the International Monetary Fund. The
Organization may then, in collaboration throughout with the
International Monetary Fund, initiate discussion to
consider whether other measures might not be taken, either
by those countries whose balances of payments are under
pressure or by those countries whose balances of payments are
lending to be exceptionally favourable, or by any
appropriate inter-governmental agency or organization,
to remove the underlying causes of the disequilibrium. Members agree that they will take part in such discussions.

(6) Throughout this Section the phrase 'quantitative
import restrictions' means all measures by which restric-
tions on imports by state-trading organizations to an extent greater than
that which would be permissible under Article 32 [pro-
vided that no Member shall be required to disclose informa-
tion which would hamper the commercial operations of such a state-trading organization].

(7) Members recognize that in the early years of the
Organization all of them will be confronted, in varying
degrees, by the need to restrain their imports coming
from the war. During this period the Organization shall,
when required to take decisions under this Article or under Article 28, take full account of the difficulties of
post-war adjustment.

ARTICLE 27
No Discriminatory Administration of Quantitative Restrict-
ions

(1) Subject to the provisions of Article 28, no prohibi-
tions or restrictions shall be imposed by any Member
in pursuance of this Section on the importation of any product of
any other Member or on the exportation of any product
designed for any country or region, if the Member
which causes the importation of such a product
considers that it would be to the advantage of all
of the like product of all third countries or the exporta-
tion of the like product to all third countries, is similarly
prohibited or restricted.

(2) Pursuant to the principle set forth in paragraph (1),
Members undertake in applying import restrictions to
observe the following provisions:

(a) Whenever practicable global quotas (whether
allocated among supplying countries or not) should be
fixed, and notice given of their amount in accordance
with sub-paragraph (3) (b).

(b) Where global quotas are not practicable, import
restrictions may be applied by means of import licences
without a global quota.

(c) Import licences or permits which may be issued
in accordance with the import restrictions (whether or not
within the limits of global quotas) shall, save for
deposits of operating quotas allocated in accordance
with sub-paragraph (4) require or provide that the
licence or permit be utilized for the importation of the
product concerned from a particular country.

(d) In cases where these methods of licensing are found
impracticable or unsuitable, the Member concerned may
apply the restrictions in the form of a quota allocated
among supplying countries. In that event the shares of the
various supplying Members should in principle be
determined in accordance with commercial consider-
ations such as, e.g., price, quality and custommavv
sources of supply. For the purpose of appraising such
cultural considerations, the Member applying the restric-
tions may seek agreement with respect to the alloca-
tion of any such quota with all other Members who
having a substantial interest in supplying the product

* The phrase "inter-governmental agency or organization" is intended to include the Economic and Social Council of the United Na-
tions.

† The words square brackets should only be retained if the
matter is considered not to be adequately covered in the Articles
dealing with state-trading organizations.
Exceptions from a quota tariff with countries, the product and licences concerned, all licences among supplying countries Provided, however, that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(3) In cases where import licences are issued in connection with import restrictions, the Member applying the restriction shall provide, upon the request of any Member having an interest in the trade in the product concerned, all relevant information as to the administration of the restriction, the import licences granted over a past recent period and as to the distribution of such licences among supplying countries Provided, however, that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(4) In the case of import restrictions involving the fixing of quotas (whether or not allocated among supplying countries), the Member applying the restrictions shall give public notice of the total quantity or value of the product or value of the product or quantity, which will be permitted to be imported during a specified future period and of any charge in such quantity or value.

(5) In the case of quotas allocated among supplying countries, the Member applying the restriction shall promptly inform all other Members having an interest in supplying the product concerned of the share in the quota, by quantity or value, currently allocated to the various supplying countries.

(6) With regard to restrictions imposed in accordance with sub-paragraph (4) or under sub-paragraph (6) of Article 25, when the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member imposing the restriction Provided that such Member shall, upon the request of any other Member having a substantial interest in supplying that product and upon the request of the Organization, consult promptly with the other Member or with the Organization regarding the need for an adjustment of the base period selecte or for the re-appraisal of the special factors involved.

(7) The provisions of this Article shall apply to any tariff quota established or maintained by any Member.

ARTICLE 28

Exceptions from the Rule of N. v-Discrimination

(1) The provisions of this Section shall not preclude (a) exceptions with equivalent effect to exchange restrictions authorized under Section 3 (8) of Article VII of the Articles of Agreement of the International Monetary Fund;

(b) prohibitions or restrictions in accordance with sub-paragraph (a) of Article 25;

(c) conditions attaching to exports which are necessary to ensure that an exporting country receives for its exports its own currency or the currency of any member of the International Monetary Fund specified by the exporting country;

(d) restrictions in accordance with Article 26 which either

(i) are applied otherwise consistently with Article 27 against imports from other countries by a group of territories with common quota in the International Monetary Fund or

(ii) assist in the period until 31 December 1951, by measures not involving substantial departure from the provisions of Article 27, a country whose economy has been disrupted by war or book

(iii) provide a Member with additional imports above the maximum total of imports which it could afford in the light of the conditions in paragraph (2) of Article 26, if its restrictions were consistent with Article 27, and

(iv) have equivalent effect to exchange restrictions, which are permitted to that Member under the Articles of Agreement of the International Monetary Fund or under the terms of any special exchange agreement, which may have been made between the Member and the Organization under Article 29

Provided that a Member, which is not imposing restrictions on payments and transfers for current international transactions, may apply import restrictions under (iii) of this sub-paragraph in special circumstances and only with the prior approval of the Organization in agreement with the International Monetary Fund.

(2) If the Organization finds, after consultation with the International Monetary Fund on matters within the competence of the Fund, that import restrictions or exchange restrictions on payments and transfers in connection with imports are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided under this Article or in a manner which discriminates unnecessarily against the trade of another Member, the Member shall within sixty days remove the discriminations or modify them as specified by the Organization

Provided that a Member may, if it so desires, consult with the Organization to obtain its previous approval for discriminations, under the procedure set forth in paragraph (3) (c) of Article 26 and to the extent that such approval is given, the discriminations shall not be open to challenge under this paragraph.

(3) When three-quarters of the Members of the Organization have agreed that any country, which is willing to join the Organization but unwilling to join the International Monetary Fund, but in any event before 31 December 1951, the Organization will review the special exchange agreement in consultation with the International Monetary Fund, with a view to the earliest possible discontinuance of discriminatory restrictions, under sub-paragraphs (1), (ii), (iii) and (iv) of this Article, which restrict the expansion of world trade.

ARTICLE 29

Exchange Arrangements

(1) The Organization shall seek co-operation with the International Monetary Fund to the end that when the Organization and the Fund may pursue a co-ordinated policy with regard to exchange questions within the competence of the Fund and questions of quantitative restrictions or other trade measures within the competence of the Organization.

(2) Members agree that they will not seek by exchange action to frustrate the purposes of this Charter and that they will not seek by trade action to frustrate the purposes of the Articles of Agreement of the International Monetary Fund.

(3) In order to avoid the imposition of trade restrictions and discriminations through exchange techniques and in order to avoid the danger of conflicting jurisdiction between the Organization and the International Monetary Fund in exchange matters, Members of the Organization shall also undertake membership of the International Monetary Fund Provided that any country, which is willing to join the Organization but unwilling to join the International Monetary Fund, may become a Member of the Organization if it enters into a special exchange agreement with the Organization, which would become part of its obligations under this Charter, and Provided that a Member of the Organization, which ceases to be a Member of the International Monetary Fund, shall forthwith enter into a special exchange agreement with the Organization, which shall then become part of its obligations under this Charter.

(4) A special exchange agreement between a Member and the Organization under paragraph (3) of this Article undertakes to furnish the Organization with such information as it may require, within the general scope of Section 5 of Article VII of the Articles of Agreement of the International Monetary Fund, in order to carry out its functions relating to this special exchange agreement.

(5) The Organization shall seek and accept the opinion of the International Monetary Fund whether action by the Member in exchange matters is permissible under the terms of the special exchange agreement and shall act in collaboration with the International Monetary Fund on all questions which may arise during the working of a special exchange agreement under this Article.

* See Part II, Chapter III, Section 5, sub-paragraph 4 (d).
Section D.—Subsidies

ARTICLE 30

General Undertaking regarding Subsidies—Elimination of Export Subsidies—Exemptions

1. Except as provided in paragraphs (2) and (4) of this Article, if any Member establishes or maintains any subsidy, including any form of income or price support, to the detriment or prejudice of any other Member, which operates to increase the exports of such product from or to reduce the imports of such product into, its territory, such Member shall notify the Organization in writing as to the extent and nature of the subsidization, as to the anticipated effect of the subsidization on the quantity of the product imported into and exported from the territory of the Member and as to the conditions making the subsidization necessary. In any case in which it is determined that serious prejudice to the interest of any Member is caused or threatened by the operation of any such subsidization, the Member granting the subsidization shall undertake to discuss with the other Member or Members concerned or with the Organization the possibility of limiting the subsidization.

2. Except as provided in paragraph (4), no Member shall grant, directly or indirectly, any subsidy on the export of any product or establish or maintain any other system, which results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in conditions and terms of sale, for differences in taxation and for other differences affecting price comparability. The preceding sentence shall not be construed to preclude any Member from exempting exported products from duties or taxes imposed in respect of like products when consumed domestically or from refunding such duties or taxes which have accrued. The use of the proceeds of such duties or taxes to make payments to domestic producers would be considered as a subsidy under paragraph (1). Members shall give effect to the provisions of this paragraph at the earliest practicable date, but in no event not later than three years from the day on which this Charter enters into force. If any Member considers itself unable to make the provisions of this paragraph effective in respect of any special product or products upon the expiration of that period, such Member shall, at least three months before the expiration of that period, give to the Organization a notice in writing to that effect, accompanied by a complete analysis of the practices in question and the facts justifying them and as indication as to the extension of the period desired. It shall then be determined whether the extension requested should be made.

3. A system for the stabilization of the domestic price of a primary product, which sometimes results in the sale of the product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, may be determined by the Organization not to be a subsidy on exportation under the terms of paragraph (2), if it has at times resulted in the sale of the product for export at a price higher than the comparable price charged for the like product to domestic buyers and if the system is so co-ordinated, either because of the effective limitation of production or otherwise, as not to unduly stimulate exports or otherwise seriously prejudice the interest of other Members. *

4. (a) In any case of subsidization of a primary commodity, as defined under paragraph (1) or subparagraph (a), if a Member considers that its interest is seriously prejudiced by the subsidy or if the Member granting the subsidy notifies the organization under Article 30 with regard to paragraph (2) within the time limit laid down therein, the difficulty may be deemed to be a special difficulty of the kind referred to in Chapter VII, and in that event, the procedure laid down in that Chapter shall be followed.

(b) If it is determined that the measures mentioned in subparagraph (a) have not succeeded or do not promise to succeed, within a reasonable period of time, in removing, or overcoming, the causes of the development of a harmful world surplus of the primary product concerned, the requirements of paragraph (a) and (b) shall cease to apply to such product as from the effective date of such determination, and shall not be re-applied in respect of such product until a date determined in accordance with procedures approved by the Organization.

* See Part II, Chapter III, Section D, paragraph (a) of subparagraph (a).

Section E. State Trading

ARTICLE 31

Non-discriminatory Administration of State-Trading Enterprises

1. If any Member establishes or maintains a state enterprise, wherever located, which imports, exports, purchases, sells or distributes any product or if any Member grants exclusive or special privileges, formally or in effect, to any enterprise to import, export, purchase, sell, [distribute,] or sell exclusively products or render any service over the trading operations of such enterprise, * the commerce of other Members shall be accorded treatment no less favourable than the commercial conditions obtaining in any third country, other than that in which the enterprise is located, in respect of the purchase or sale of such products, or the export or import of such products, or in respect of purchases and sales made by such enterprises and traders under Government orders or at prices determined by Government authorities. For this purpose, the Member granting the privilege or granting exclusive or special privileges to an enterprise shall make available such information as may be appropriate in connection with the consultation provided for in Article 35.

2. The foregoing provisions of this Article relate to purchases by state enterprises for governmental use and not for re-sale. Members agree to accord to the commerce of other Members fair and equitable treatment having full regard to all relevant circumstances.

3. For the purposes of this Article a state enterprise shall be understood to be any enterprise over whose operations the government of a Member exercises effective control.

ARTICLE 32

Expansion of Trade by State Monopolies of Individual Products

1. If any Member [other than a Member subject to the provisions of Article 33 [1]] establishes, maintains or authorizes, formally or in effect, a complete or substantially complete monopoly of the importation of any product, such Member shall, upon the request of any other Member or Members, in the product concerned, enter into negotiations with such Member or Members, in the manner provided for in respect of tariffs under Article 24.

(a) in the case of an import monopoly, the maximum margin by which the price for an imported product charged by the monopoly in the home market may exceed the landed cost, before payment of any duty, of such product purchased from the monopoly by suppliers in the territories of Members; or

(b) in the case of an export monopoly, the maximum margin by which the price for a product charged by the monopoly to purchasers in the territories of such Members may exceed the price for such product charged by the monopoly to importers under Government orders or at prices determined by Government authorities after due allowance in either case for internal taxes, transportation, distribution and other expenses incident to purchase, sale or re-sale. Members agree to accord to the commerce of other Members fair and equitable treatment having full regard to all relevant circumstances.

* See Part II, Chapter III, Section E, paragraph (a) of sub-paragraph (a).

† See Part II, Chapter III, Section E, sub-paragraph (b).
Consultation—Nullification or Impairment

(1) Each Member shall accord sympathetic consideration to, and will afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of domestic regulations and formalities, quantitative and exchange regulations, on-trade operations, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally all matters affecting the operation of this Chapter.

(2) If any Member should consider that any other Member has adopted any measure, whether or not it conflicts with the terms of this Charter, or that any situation has arisen, which has the effect of nullifying or impairing any object of this Chapter, the Members concerned shall give sympathetic consideration to such written representations or proposals as may be made with a view to effecting a satisfactory adjustment of the matter. If no such adjustment can be effected, the matter may be referred to the Organization, which shall, after investigation, and, if necessary, after consultation with the Economic and Social Council of the United Nations and any other appropriate inter-governmental organizations, make appropriate recommendations to the Members concerned. The Organization, if it considers the case serious enough to justify such action, may authorize a Member, or Members to suspend the application to any other Member or Members of such specified obligations or concessions under this Chapter as may be appropriate in the circumstances. If such obligations or concessions are in fact suspended, any affected Member shall then be free, not later than sixty days after such action is taken, to withdraw from the Organization upon the expiration of sixty days from the date on which written notice by the Organization of such withdrawal is received.

Section G. Relations with Non-Members

ARTICLE 36

Contractual Relations with Non-Members—Treaties of the Trade of Non-Members

This subject will be further considered at a later stage.

Section H. General Exceptions

ARTICLE 37

To be considered and drafted at a later stage.

Section I. Territorial Application

ARTICLE 38

Territorial Application of Chapter V—Customs Unions—Frontier Arrangements

(1) The provisions of this Chapter shall apply to the customs territories of Members. If there are two or more customs territories under the jurisdiction of any Member, each such customs territory shall be considered as a separate Member for the purpose of interpreting the provisions of this Chapter.

(2) The provisions of this Chapter shall not be construed to prevent:

(a) the advantages accorded by any Member to adjacent countries in order to facilitate frontier traffic; or

(b) the formation of a union for customs purposes of any customs territory of any Member and any other customs territory.

Provided that the duties and other regulations of commerce imposed by Members in respect of such a union shall be in conformity with the regulations of commerce applicable in the customs territories prior to the formation of such union.

(3) Any Member proposing to enter into any union described in sub-paragraph (a) or (b) shall consult with the Organization and shall make available to the Organization such information regarding the proposed union as will enable the Organization to make such reports and recommendations to Members as it may deem appropriate.

(4) The Members recognize that there may in exceptional circumstances be justification for new preferential arrangements requiring an exception to the provisions of this Chapter, and such exception shall be subject to approval by the Organization pursuant to paragraph (c) of Article 66.

* See Part II, Chapter III, Section E, paragraph 2.

5908
(g) For the purpose of this Article a customs territory shall be understood to mean any area within which separate tariffs or other regulations of commerce are maintained with respect to a substantial part of the trade of such area. A union of customs territories for customs purposes shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that all members and other restrictive regulations of commerce as between the territories of the members of the union are substantially eliminated and substantially the same tariffs and similar regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union.

CHAPTER VI
RESTRICTIVE BUSINESS PRACTICES

ARTICLE 39

Policy Toward Restrictive Business Practices

(1) Members agree to take appropriate measures, individually and through the Organization, to prevent in international trade, business practices which restrain competition, limit access to markets or foster monopolistic control whenever such practices have harmful effects on the expansion of production and trade and the maintenance in all countries of high levels of real income, or on any of the purposes of the Organization set forth in Article 7.

(2) Without limiting the generality of paragraph (1), Members agree that the practices listed in paragraph (3) below, when they are engaged in or made effective by

(a) an international combination, agreement or other arrangement among commercial enterprises, including such an arrangement among private commercial enterprises, among public commercial enterprises (i.e., trading agencies, governments or enterprises in which there is effective government control), or between private and public commercial enterprises;

(b) one or more private commercial enterprises and when such commercial enterprises, individually or collectively, possess effective control of international trade, among a number of countries or generally in one or more products, shall be subject to investigation, in accordance with the procedure provided by the subsequent Articles of this Chapter, if the Organization considers them to have or to be about to have such harmful effects as are described in paragraph (1).

(3) The practices referred to in paragraph (2) as a follows:

(a) fixing prices or terms or conditions to be observed in dealing with others in the purchase, sale or lease of any product;

(b) excluding enterprises from any territorial market or field of business activity, allocating or dividing any such market or field of business activity, allocating customers, or fixing sales or purchase quotas;

(c) boycotting or discriminating against particular enterprises;

(d) limiting production or fixing production quotas;

(e) suppressing technology or invention, whether patented or unpatented;

(f) extending the use of rights under patents, trademarks or copyrights to matters not properly within the scope, or to products or conditions of production, use or sale which are not the immediate subjects of the authorized grant.

ARTICLE 40

Procedure with respect to Complaints and Conferences

Members agree that the Organization shall:

(a) Arrive, if it considers such action to be justified, for particular Members to take part in a conference requested by any Member which considers that any specific practices exist which have or are about to have the effect described in paragraph (1) of Article 39.

(b) Consider each written complaint submitted by any Member or, with the permission of a Member, submitted by any affected person, organization or business entity within that Member's jurisdiction, claiming that specific practices exist which have or are about to have the effect described in paragraph (1) of Article 39, and prescribe the minimum information to be included in such complaints.

(c) Request each Member concerned to obtain such information as the Organization may deem necessary, including for example information from commercial enterprises within its jurisdiction and then determine whether further investigation is justified. If so, notify all Members of such complaint, request the Members to provide such information relevant to the complaint as it may deem necessary and conduct or arrange for hearings at which any Member and the parties alleged to have been engaged in the practice will have opportunity to be heard.

(d) Review all information and come to its findings whether the practices in question have the effect described in paragraph (1) of Article 39.

(e) Report to all Members the findings reached and the information on which such findings are based. If it finds that the practices have had the effect described in paragraph (1) of Article 39, request each Member concerned to take every possible action to prevent the continuance or recurrence of the practices, and at its discretion recommend to the Members concerned remedial measures to be carried out in accordance with their respective laws and procedures.

(g) Request all Members concerned to report fully the action they have taken to achieve these results.

(h) Prepare and publish, as expeditiously as possible after a complaint has been completed, the report and the complaints dealt with in accordance with sub-paragraph (f), showing fully the findings reached, the information on which such findings are based and the action which Members concerned have been recommended to take at the request of any Member, or of the United Nations or of any specialized agency relating to

(i) types of restrictive business practices in international trade;

(j) conventions, laws and procedures such as those concerning incorporation, company registration, investments, securities, prices, markets, fair trade practices, trade marks, copyrights, patents and the exchange and development of technology, in so far as they are relevant to restrictive business practices, and to request information from Members in connection with such studies;

(k) Make recommendations to Members concerning such conventions, laws and procedures as are relevant to their obligations under this Charter;

(l) Arrange conferences, when requested by Members, for purposed of general consultation on any matters relating to restrictive business practices.

ARTICLE 41

Obligations of Members

(1) In order to implement the preceding Articles of this Chapter, each Member undertakes to take all possible steps by legislation or otherwise to ensure that private and public commercial enterprises within its jurisdiction do not engage in practices which have the effect described in paragraph (1) of Article 39; and to take the fullest account of the Organization's findings, requests and recommendations made under sub-paragraph (f) of Article 40, in the light of its obligations under Articles 40 and 41, in considering the initiation of action in accordance with its system of law and economic organization to prevent within its jurisdiction the continuance or recurrence of any practices which the Organization finds to have had the effect described in paragraph (1) of Article 39.
(a) Establish procedures to deal with complaints, conduct investigations, prepare information and reports requested by the Organization and generally assist in preventing practices which have the effect described in paragraph (1) of Article 39. These measures to be taken in accordance with the particular system of law and economic organization of the Member concerned.

(b) Conduct such investigations as may be necessary and practicable to secure information requested by the Organization or to prevent practices which have the effect described in paragraph (1) of Article 39.

(c) Furnish to the Organization, as promptly as possible and to the fullest extent feasible, such information as is requested by the Organization under sub-paragraph (2) of Article 40, and, in cases in which no action is taken, to explain to the Organization the reasons therefore and discuss the matter further with the Organization if requested to do so.

(d) Take part in conferences upon the request of the Organization in accordance with sub-paragraph (c) of Article 41.

ARTICLE 43
Supplementary Enforcement Arrangements
(1) Members may, by mutual accord, cooperate with each other in prohibitive, preventative or other measures for the purpose of making more effective any remedial order issued by a duly authorized agency of any Member in furtherance of the objectives of this Chapter.

(2) Members participating in such co-operative actions shall notify the Organization.

ARTICLE 44
Continued Effectiveness of Domestic Measures against Restrictive Business Practices
Any act or failure to act on the part of the Organization shall not preclude any Member from enforcing any national statute or decree directed towards preventing monopoly or restraint of trade.

ARTICLE 45
Exceptions to the Provisions of this Chapter
(1) The undertakings expressed in this Chapter shall not apply to:

(a) the inter-governmental commodity agreements meeting the requirements of Chapter VII;

(b) the international agreements excepted in Article 50;

(2) Notwithstanding the foregoing the Organization may in its discretion make recommendations to Members and to appropriate inter-governmental organizations concerning any features of the agreements referred to in sub-paragraphs (a) and (b) which may have the effect described in paragraph (1) of Article 39.

CHAPTER VII
INTER-GOVERNMENTAL COMMODITY ARRANGEMENTS
Section A. General Considerations
ARTICLE 46
General Statement on Difficulties Relating to Primary Commodities
Members recognize that the relationship between production and consumption of some primary commodities may present special difficulties. These special difficulties are different in character from those which manufactured goods present generally. They arise out of such conditions as the disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices. They may have a seriously adverse effect on the interests of both producers and consumers. Moreover they may have widespread repercussions which would jeopardize the general policy of economic expansion.

ARTICLE 47
Objectives of Inter-governmental Commodity Arrangements
Members agree that inter-governmental commodity arrangements may be employed to achieve the following objectives:

(1) To enable countries to find solutions to the special commodity difficulties referred to in Article 46 without resorting to action inconsistent with the purposes of the Charter.

(2) To prevent or alleviate the serious economic problems which may arise when production adjustments cannot be effected by the free play of market forces as rapidly as the circumstances require.

(3) To provide, during the period which may be necessary, a framework for the consideration and development of measures which will have as their purpose economic adjustments designed to promote the expansion of consumption or a shift of resources and manpower out of over-expanded industries into new and productive occupations.

(4) To moderate pronounced fluctuations in the price of a primary commodity above and below the level which expresses the long term equilibrium between the forces of supply and demand.

(5) To maintain and develop the natural resources of the world and protect them from unnecessary exhaustion.

(6) To provide for expansion in the production of a primary commodity which is in such short supply as seriously to prejudice the interests of consumers.

Section B. Inter-governmental Commodity Arrangements in General
ARTICLE 48
Special Commodity Studies
(1) A Member or Members substantially interested in the production, consumption or trade of a particular primary commodity shall be entitled, if they consider that special difficulties exist or are expected to arise regarding the commodity, to ask that a study of that commodity be made.

(2) Unless it resolves that a prima facie case has not been established, the Organization shall promptly invite the Members substantially interested in the production, consumption or trade of the commodity to appoint representatives to a Study Group to make a study of the commodity. Non-Members having a similar interest may also be invited.

(3) The Study Group shall, in the light of an investigation of the root causes of the problem, promptly report its findings regarding the production, consumption and trade situation for the commodity. If the Study Group finds that special difficulties exist or are expected to arise, it shall make recommendations to the Organization as to how best to deal with such difficulties. The Organization shall transmit promptly to Member any such findings and recommendations.

ARTICLE 49
Commodity Conferences
(1) On the basis of the recommendations of the Study Group or on the basis of information about the root causes of the problem agreed to be adequate by the Members substantially interested in the production, consumption or trade of a particular primary commodity, the Organization shall promptly at the request of a Member having a substantial interest, or may, on its own initiative, convene an inter-governmental conference for the purpose of discussing measures designed to meet the special difficulties which have been found to exist or are expected to arise.

(2) Any Member having a substantial interest in the production, consumption or trade of the commodity shall be entitled to participate in the Conference, and non-Members having a similar interest may be invited by the Organization to participate.

(3) If the Conference recommends to Members the adoption of any type of inter-governmental commodity arrangement, such arrangement shall conform to the principles stated in Article 51.
ARTICLE 50

Relations with Specialized Agencies

(1) Competent specialized agencies, such as the Food and Agriculture Organization, shall be entitled—

(a) to submit to the Organization any relevant study of a primary commodity;

(b) to ask that a study of a primary commodity be made.

(2) The Organization may request any specialized agency, which it deems to be competent, to attend or take part in the work of a Study Group or of a Commodity Conference.

ARTICLE 51

General Principles of Inter-Governmental Commodity Arrangements

Members undertake to adhere to the following principles governing the operation of all types of inter-governmental commodity arrangements:

(1) Such arrangements shall be open initially to participation by any Member on terms no less favourable than those accorded to any other country party thereto and thereafter upon such terms as may be approved by the Organization.

(2) Non-Members may be invited by the Organization to participate in such arrangements, and the provisions of paragraph (1) shall apply to non-Members so invited.

(3) Such arrangements shall include provision for adequate participation of countries substantially interested in the importation or consumption of the commodity as well as those substantially interested in its exportation or production.

(4) In such arrangements participating countries, which are largely dependent for consumption on imports of the commodity involved shall, in determinations made relating to substantive matters, have together a voice equal to that of those largely interested in obtaining export markets for the commodity, provided that those countries, which are largely interested in the commodity but which do not fall precisely under either of the above classes, shall have an appropriate voice.

(5) Such arrangements shall provide, where practicable, for measures designed to expand world consumption of the commodity.

(6) Members agree that full publicity shall be given to any inter-governmental commodity arrangement proposed or concluded, to the statements of considerations and objectives advanced by the proposing Members, to the operation of the arrangements and to the nature and development of measures adopted to correct the underlying situation which gave rise to the arrangements.

Section C.—Inter-Governmental Commodity Agreements involving the Regulation of Production, Trade or Prices

ARTICLE 52

Circumstances Governing the Use of Regulatory Agreements

Members agree that regulatory agreements may be employed only when

(a) A burdensome surplus of a primary commodity has developed or is expected to develop, which, because a substantial reduction in price does not readily lead to a significant increase in consumption or to a significant decrease, in the production of the commodity, would not, in the absence of specific governmental action, be corrected by normal marketing forces alone in time to prevent serious hardship to producers among whom are small producers who account for a substantial portion of the total output or

(b) Widespread unemployment in connection with a particular primary commodity, arising out of difficulties of the kind referred to in Article 46, has developed or is expected to develop, which, in the absence of specific governmental action, would not be corrected by normal marketing forces alone in time to prevent widespread and undue hardship to workers because, in the case of the industry concerned, a substantial reduction of prices does not lead to a significant increase in consumption but to the reduction of employment, and because areas in which the commodity is produced in substantial quantity do not afford alternative employment opportunities for the workers involved; or

(3) The Organization finds that, for a commodity other than a primary commodity, exceptional circumstances justify such action.

Such agreements shall be subject only to the principles set forth in this Chapter but also to any other requirements which the Organization may establish.

ARTICLE 53

Additional Principles Governing Regulatory Agreements

Members undertake to adhere to the following principles governing regulatory agreements in addition to those stated in Article 52:

(1) Members agree not to enter into any new regulatory agreement unless it has been recommended by a Conference called in accordance with Article 36.

(2) Members agree to participate in any agreement designed to assure the availability of supplies adequate at all times for world demand at reasonable prices.

(3) Members agree to participate in any agreement designed to assure the availability of supplies adequate at all times for world demand at reasonable prices.

(4) Members agree to participate in any agreement designed to assure the availability of supplies adequate at all times for world demand at reasonable prices.

(5) Members agree to participate in any agreement designed to assure the availability of supplies adequate at all times for world demand at reasonable prices.

ARTICLE 54

Administration of Regulatory Agreements.

(1) Each regulatory agreement shall provide for a governing body, hereinafter referred to as a Commodity Council.

(2) Each of the countries participating in an agreement shall be entitled to be represented by a member on the Commodity Council. These members alone shall have the right to vote. Their voting power shall be determined in such a way as to conform with the provisions of paragraph (3) of Article 51.

(3) The Organization shall be entitled to appoint a non-voting member to each Commodity Council and may invite any competent specialized agency to nominate a non-voting member for appointment to a Commodity Council.

(4) Each Commodity Council shall have a non-voting chairman who, if the Council so requests, shall be nominated by the Organization.

(5) The secretariat of each Commodity Council shall be appointed by the Council after consultation with the Organization.

Each Commodity Council shall adopt appropriate rules of procedure and regulations regarding its activities. These rules and regulations shall be subject to the approval of the Organization.

(7) Each Commodity Council shall make periodic reports to the Organization on the operation of the agreement which it administers, and it shall make such special reports as the Organization may specify or, as the Council itself considers to be of value to the Organization.

(8) The expenses of a Commodity Council shall be borne by the participating countries.
ARTICLE 55
Provision for Initial Terms, Review, and Renewal of
Regulatory Agreements

Regulatory agreements shall remain in effect for not more than five years. Their renewal shall be subject to the principles stated elsewhere in this Chapter. Periodically, at intervals no greater than three years, the Organization shall prepare and publish a review of the operation of each agreement, in the light of the principles set forth in this Chapter. Moreover, each commodity agreement shall provide that if its operations have fallen materially to conform to the principles laid down in this Chapter, participating countries shall revise the agreement to conform to the principles or shall terminate it. When an agreement is terminated, the Organization shall take charge of archives, statistical material and other possessions of the Commodity Council.

ARTICLE 56
Settlement of Disputes

Any question or difference arising concerning the interpretation of this Chapter, or of a regulatory agreement or falling out of its operation shall be discussed originally by the Commodity Council. In the absence of agreement, the question shall be referred to the Commodity Commission for examination and recommendation to the Executive Board. The Executive Board shall then issue a ruling subject to the provisions of Article 71.

Miscellaneous Provisions

ARTICLE 57
Obligations of Members regarding Existing and Proposed
Commodity Arrangements

(a) Members undertake to transmit to the Organization the full text of each inter-governmental commodity arrangement in which they are participating at the time of the coming into force of their obligations under this Charter. Members also agree to transmit to the Organization appropriate information regarding the formulation, planning and operation of such arrangements. Members agree to conform with the decisions made by the Organization regarding their continued participation in any such inter-governmental commodity arrangement which, after review by the Organization, shall have been found to be inconsistent with the intentions of this Chapter.

(b) Members undertake to transmit to the Organization appropriate information regarding any negotiations, looking to the conclusion of an inter-governmental commodity arrangement, in which they are participating at the time of the coming into force of their obligations under this Charter. Members also agree to conform with decisions made by the Organization regarding their continued participation in any such negotiations. The Organization may decline to enter negotiations, according to the requirements for a Study Group or a Commodity Conference as the case may be.

ARTICLE 58
General Undertaking by Members

Members not parties to a particular commodity arrangement undertake to give the most favourable possible consideration to any recommendation by a Commodity Council for expanding consumption of the commodity in question.

ARTICLE 59.
Exceptions to Provisions Relating to Inter-governmental
Commodity Arrangements

(a) The provisions of Chapter VII are not designed to cover inter-governmental commodity arrangements, which relate solely to the equitable distribution of commodities in short supply, or to cover those provisions of inter-governmental commodity arrangements which appropriately relate to the protection of public morals or the protection of human, animal or plant life or health. Provided that such arrangements are not used to accomplish results inconsistent with the objectives of Chapter VI or Chapter VII, Members agree not to participate in such arrangements if they involve the regulation of production, trade or prices, unless they are authorized or provided for by a multilateral convention subscribed to by a majority of the nations affected or unless operated under the Organization.

(b) None of the foregoing provisions of Chapter VII are to be interpreted as applying to arrangements relating to fissionable materials, to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on for the purpose of supplying military establishment or, in time of war or other emergency in international relations, to the protection of the essential security interests of a Member.

ARTICLE 60
Definitions

(a) For the purposes of this Chapter a primary commodity is any agricultural product or mineral which enters world trade in substantial volume in a form customarily called primary. The term "primary commodity" may include a primary commodity on which processing has been performed in preparation for export. It may also include a group of primary commodities which are so closely related to one another that they can conveniently be dealt with in a single arrangement. Such a group may, subject to paragraph (f) of Article 52, include appropriate non-primary commodities.

(b) For the purposes of this Chapter the term "Member" or "non-Member" shall, where it is appropriate, be taken to mean a Member or non-Member with its dependent territories or a Member and its dependent territories and such a group of Members and or more in the import of a commodity or a group of such Members and or more in the export of a commodity, there may be either joint representation for all the associated territories or, where it is so desired, separate representation for the territories mainly interested in export and separate representation for the territories mainly interested in import.

(c) An inter-governmental commodity arrangement is any accord between two or more governments relating to a commodity other than an accord relating to the purchase and sale of a commodity falling under Section E of Chapter V.

(d) A regulatory agreement is an inter-governmental commodity arrangement involving regulation of the production, export or import of a commodity or regulation of prices.

CHAPTER VIII
ORGANIZATION

Section A—Functions and Structure of the Organization

ARTICLE 61
Functions

(a) It shall be the function of the Organization to collect, analyse and publish information relating to international trade, including information relating to commercial policy, business practices and commodity problems and to induce and general a Member or non-Member and its dependent territories, having or not having a primary commodity, to make recommendations and reports to Members regarding any matter relating to the purposes of the Organization or the operation of this Charter, including the following:

(1) Recommendations or determinations relating to the discharge of the responsibilities of the Organization, or of the Members, under Chapter V.

(2) Recommendations as to measures for implementing the objectives with regard to restrictive business practices set forth in Chapter VI.

(3) Recommendations regarding the application to commodity arrangements under consideration by Members of the principles governing commodity arrangements set forth in Chapter VII and recommendations initiating proposals for new commodity arrangements, or proposing such modifications, including termination of commodity arrangements already concluded, as may be deemed appropriate under the commodity principles and in the general interest.

(4) Recommendations as to measures for implementing the objectives of the Organization in encouraging and assisting the industrial and general economic development of Members.

(5) Consultation with Members regarding disputes growing out of the provisions of this Charter and to provide for the settlement of such disputes.

(b) To consult with Members regarding the acceptance by Members of, international agreements designed to improve, the bases of trade and to assure just and equitable treatment for the enterprises, skills, capital,
arts and technology brought from one country to another, including agreements on the treatment of foreign nationals and enterprises, on the treatment of commercial travellers, on commercial arbitrations and on the avoidance of double taxation.

(6) To achieve an economy of effort in the performance of the functions set out in this Article and to co-operate with the United Nations and with other inter-governmental organizations generally in the attainment of the economic and social objectives of the United Nations and in the restoration and maintenance of international peace and security.

(7) Generally to advise and to make recommendations to Members and other international organizations and to perform any other function appropriate to the purposes of the Organization.

ARTICLE 62

Structure

The Organization shall have as its principal organs a Conference, an Executive Board, Commissions as established under Article 72, and a Secretariat.

Section B—The Conference

ARTICLE 63

Membership

(1) The Conference shall consist of the representatives of the Members of the Organization.

(2) Each Member shall have one representative and may appoint alternates and advisers to its representative on the Conference.

(3) No representative on the Conference may represent more than one Member.

ARTICLE 64

Voting

(1) Each Member shall have one vote in the Conference.

(2) Except as may be otherwise provided in this Charter, decisions of the Conference shall be taken by a majority of the Members present and voting.

ARTICLE 65

Sessions, Procedure and Officers

(1) The Conference shall meet in regular annual sessions and in such special sessions as occasion may require.

(2) The Conference shall adopt its own rules of procedure. It shall annually elect its President and other officers.

ARTICLE 66

Powers and Duties

(1) The Conference shall have final authority to determine the policies of the Organization. It may make recommendations to the Members of the Organization and to other international organizations regarding any matter pertaining to the purposes of the Organization.

(2) The Conference may, by the affirmative votes of two-thirds of its Members, determine criteria and set up procedures, for waiving, in exceptional circumstances, obligations of Members undertaken pursuant to this Charter.

(3) The Conference may delegate to the Executive Board authority to exercise or perform any of the powers and duties of the Conference, except such specific powers and duties as are expressly conferred or imposed upon the Conference.

(4) The Conference shall approve the budget of the Organization, and shall apportion the expenses of the Organization among the Members.

(5) The Conference may develop, and by the affirmative votes of two-thirds of its Members, recommend for their adoption, conventions and agreements with respect to any matter within the purview of the Conference.

(6) The Conference shall establish procedures for making the determinations provided for in Articles 50 and 51 and for paragraph (3) of Article 52, whereby any such determinations shall be made through the Organization by consultation among the Members having an important interest in the trade in the product concerned.

(7) The Conference shall establish procedures for making the determinations and recommendations provided for in sub-paragraph (3) and (4) of Article 26, paragraph (4) of Article 34 and Article 35.

(8) Each Member, by the affirmative votes of two-thirds of its Members present and voting, adopts the standards, nomenclature, terms and forms described in paragraph (7) of Article 22.

(9) The Conference shall determine the site of the Organization and shall establish such branch offices as it may consider desirable.

Section C—Interim Tariff Committee

ARTICLE 67

(1) There shall be an Interim Tariff Committee which shall act temporarily on behalf of the Organization in the making of recommendations and determinations pursuant to paragraph (3) of Article 25.

(2) The Committee shall consist originally of those Members of the Organization which shall have made effective the General Agreement on Tariffs and Trade dated November 2000. Any other Member of the Organization shall be a member of the Committee when, in the judgment of the Committee, that Member shall have completed negotiations pursuant to paragraph (1) of Article 24 comparable in scope or effect to those completed by the original members of the Committee. When the number of Members of the Organization, which are members of the Committee, shall constitute two-thirds of the total number of Members of the Organization, the Committee shall terminate and its functions shall be transferred to the Conference.

(3) Each member of the Committee shall have one vote.

(4) Decisions of the Committee shall be taken by a majority of the members present and voting.

(5) The Committee shall adopt its own rules of procedure, including provision regarding the election of its officers.

Section D.—The Executive Board

ARTICLE 68

Membership

First Alternative

(1) The Executive Board shall consist of eleven Members of the Organization elected by the Conference.

(2) Subject to the provisions of paragraph (3) one-third of the members of the Executive Board shall be elected each year for a term of three years. A retiring member shall be eligible for immediate re-election.

(3) At the first election fifteen members of the Executive Board shall be chosen. The term of office of five members shall expire at the end of one year and of five other members at the end of two years, in accordance with arrangements made by the Conference.

(4) Each member of the Executive Board shall have one representative and may appoint alternates and advisers to its representative.

Second Alternative

(1) The Executive Board shall consist of five Members of the Organization elected by the Conference, five of whom shall be eligible for immediate re-election.

(2) Subject to the provisions of paragraph (3) one-third of the members of the Executive Board shall be elected each year for a term of three years.

(3) Same as first alternative.

(4) Same as second alternative.

Third Alternative

(1) The Executive Board shall consist of fifteen Members of the Organization elected by the Conference. By virtue of their economic importance, six Members shall be appointed as permanent members; nine other Members shall be granted non-permanent seats. The total number of seats may be increased by a decision of the Conference taken with a two-thirds majority of its members.
(2) The non-permanent members of the Executive Board shall be chosen for a period of three years. At the first election of the non-permanent members, three members shall be elected for a term of one year and three others for a term of two years. A retiring member shall not be eligible for immediate re-election.

(3) These elections shall take place in accordance with arrangements to be approved by the Conference by a two-thirds majority of its members.

(4) Each member of the Executive Board shall have one representative who may appoint alternates and advisers.

Fourth Alternative

(1) The Executive Board shall consist of twenty Members of the Organization.

(2) Subject to the provisions of paragraph (3), one-half of the members of the Executive Board shall serve for a term of five years and shall be appointed by the Members of the Organization having the largest share in the world trade and, belonging to the following trade groups: Europe (two Directors), North America (two Directors), Latin America (two Directors), Asia (two Directors), Oceania (one Director) and Africa (one Director). Any change in the relative position in world trade of members shall be taken into consideration at the end of each term of five years.

(3) One-half of the members of the Executive Board shall be elected annually by members of the Conference other than those entitled to appoint a member of the Board in accordance with the provisions of paragraph (2). A retiring member shall be eligible for immediate re-election.

(4) The Conference, upon the recommendation of the Executive Board, shall establish procedures for the purpose of carrying out the provisions of this Article.

(5) Each member of the Executive Board shall have one representative and may appoint alternates and advisers to its representatives.

ARTICLE 69
Voting

(2) Each member of the Executive Board shall have one vote.

(3) Decisions of the Executive Board shall be made by a majority of members present and voting.

ARTICLE 70
Sessions, Procedures and Officers

(1) The Executive Board shall adopt its own rules of procedure, including rules concerning the convening of its sessions.

(2) The Executive Board shall annually elect its Chairman and other officers, who shall be eligible for re-election.

(3) The Chairman of the Executive Board, as such, shall be entitled to participate, without the right to vote, in the deliberations of the Conference.

(4) Any Member of the Organization, which is not a member of the Executive Board, shall be invited to send a representative to any discussion by the Board of a matter of particular and substantial concern to that Member. Such representative shall, for the purpose of such discussion, have all the rights of members of the Board except the right to vote.

ARTICLE 71
Powers and Duties

(1) The Executive Board shall be responsible for the execution of the policies of the Organization and shall exercise the powers delegated to it by the Conference. It shall supervise the activities of the Commissions provided for in this Charter and shall take such action upon their recommendations as it may deem appropriate. It shall provide adequate machinery to review the work of the Organization relating to industrialization and general economic development.

(2) The Executive Board may make recommendations to the Conference, to the Members of the Organization, or to other international organizations, on any subject falling within the scope of the Organization, and shall approve the preliminary agenda of the Conference.

(3) The Executive Board may recommend to the Conference the admission of new Members of the Organization.

(4) The Executive Board may refer to the Commissions such questions as it may deem appropriate.

Section E.—The Commissions

ARTICLE 72
Establishment

The Conference shall establish a Commission on Commercial Policy, a Commission on Business Practices and a Commodity Commission and may establish such other commissions as may be required. Commissions shall be responsible to the Executive Board.

ARTICLE 73
Composition and Procedure

(1) Commissions shall be composed of persons invited by the Executive Board and qualified by training or experience to carry out the functions of the Commissions in accordance with the purposes of the Organization.

(2) The number of members of each Commission and the conditions of service of the members of each Commission shall be determined in accordance with regulations prescribed by the Conference.

(3) Each Commission shall elect its Chairman and shall adopt its own rules of procedure, subject to approval by the Executive Board.

(4) The Chairman of Commissions shall be entitled to participate, without the right to vote, in the deliberations of the Executive Board and of the Conference.

(5) As set forth more fully in paragraph (a) of Article 80, Boards and Commissions may make suggestions for representatives of other inter-governmental organizations having a special interest in the activities of any of the Commissions to participate in the work of such Commissions, pursuant to agreements with these organizations.

ARTICLE 74
General Functions

The Commissions shall have the functions set forth in Articles 75, 76, and 77, and shall perform such other functions as the Conference or the Executive Board may assign to them, including such functions as the Executive Board may deem appropriate in connection with the settlement of disputes.

ARTICLE 75
Functions of the Commission on Commercial Policy

To be considered and drafted at a later stage.

ARTICLE 76
Functions of the Commission on Business Practices

The Commission on Business Practices shall have the following functions:

(1) In accordance with Article 69 to

(a) Arrange, at the request of a Member, consultative conferences with other Members and make appropriate reports for communication at the discretion of the Executive Board to all Members;

(b) Receive and consider written complaints concerning restrictive business practices in international trade;

(c) Prescribe minimum information required in such complaints;

(d) Notify Members of complaints received and request information relative to such complaints;

(e) Request further data from Members and conduct or arrange for hearings;

(f) Report to the Executive Board its findings and its recommendations of remedial measures;

(g) Request reports from Members on the action taken as a result of recommendations made to them by the Executive Board; and

(h) Prepare reports for publication by the Executive Board.

(2) In accordance with Article 41, and subject to the approval of the Executive Board, to conduct studies relating to business practices which restrain competition, restrict access to markets or foster monopolistic control in international trade, or relating to international conventions or national laws and procedures designed to carry out the objectives of Article 40 or to those which may affect such objectives, and to make recommendations when appropriate to the Executive Board for action by Members.
(3) To advise the Executive Board as to information and other materials to be obtained from Members or other sources in the discharge of its duties, and to see that the necessary arrangements are made for their presentation in a form suitable for use by the Executive Board.

ARTICLE 77
Functions of the Commodity Commission
To be considered and drafted by the Drafting Committee.*

Section F.—The Secretariat

ARTICLE 78
Composition
(1) The Secretariat shall consist of a Director-General and such staff as may be required.

(2) The Director-General shall have authority to appoint such Deputy Directors-General as he may think necessary. Such appointments shall be made in accordance with regulations approved by the Conference.

ARTICLE 79
The Director-General
(1) The Director-General shall be appointed by the Conference upon the recommendation of the Executive Board, and shall have authority, terms of office shall be in accordance with regulations approved by the Conference. He shall be the chief administrative officer of the Organisation, subject to the general supervision of the Executive Board.

(2) The Director-General or a deputy designated by him shall participate, without the right to vote, in all meetings of the Conference, of the Executive Board, of the Commissions and of the committees of the Organisation. The Director-General shall have authority to initiate proposals for the consideration of any organ of the Organisation.

He shall make an annual report to the Conference and to the Executive Board on the work of the Organisation and shall prepare the annual budget for submission to the Conference.

ARTICLE 80
Employment of Staff
(1) The Director-General shall appoint the staff of the Secretariat and fix its duties and terms and conditions of service in accordance with regulations approved by the Conference. The paramount consideration in the employment of the staff and in the determination of its conditions of service shall be the necessity of securing the highest standards of efficiency, competence and integrity, due regard being paid to the importance of recruitment on as wide a geographical basis as possible.

(2) The conditions of service, such as the provisions governing qualifications, salary, tenure and retirement of members of the Secretariat shall be fixed, so far as practicable, in conformity with those for members of the Secretariat of the United Nations and of other specialized agencies which have been or may be brought into relationship with the United Nations as provided in Article 57 of the Charter of the United Nations.

Section G.—Miscellaneous Provisions

ARTICLE 81
Relations with other Organizations
(1) The Organisation shall be brought into relationship with the United Nations, as soon as practicable as one of the agencies referred to in Article 57 of the Charter of the United Nations. This relationship shall be effectuated through an agreement with the United Nations under Article 63 of the Charter of the United Nations, which agreement shall be concluded by the Director-General on the recommendation of the Conference. 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 recognize the competence of the Organisation within its jurisdiction as defined in this Charter. Notwithstanding the provisions of Article 82, any changes in this Charter required under the agreement which do not involve new obligations by Members, shall be effective on approval of the agreement by the Conference.

* See Part II, Chapter V, Section D, Paragraph 6.

(2) The Organisation shall co-operate with other intergovernmental organizations whose interests and activities are related to those of the Organisation, and shall determine to integrate such intergovernmental organizations within its structure.

(3) The Organisation may make suitable arrangements for consultation and co-operation with non-governmental organizations concerned with matters within its competence and may invite them to undertake specific tasks.

(4) Whenever the Conference of the Organisation and the competent authorities of any other international organization, whose purposes and functions lie within the competence of the Organisation and do not adversely affect a transfer of its resources and functions to the Organization, to incorporate it into the Organization or to bring it under the supervision or authority of the Organization, the Director-General, subject to the approval of the Conference, may enter into mutually acceptable arrangements for this purpose.

This Organization may acquire such resources and assume such functions of, or incorporate over, such other organizations as may be provided by any convention or agreement appropriate to the purposes.

In accordance with their respective constitutional procedures, the Members shall take such steps as the Conference may determine to integrate such other international organizations into the structure of the Organization.

ARTICLE 82
International Responsibilities of Personal of the Organization
(1) The responsibilities of the members of the Commissions provided for in Article 72, of the Director-General, of the Deputy Directors-General and of the staff shall be exclusively international in character. In the discharge of their duties they shall not seek, receive instructions from any government or from any authority external to the Organization. They shall refrain from any action which might prejudice their position as international officials.

(2) Each Member of the Organization undertakes to respect the international character of the personal of the Organization, and not to seek to influence them in the discharge of their duties.

* See Part II, Chapter V, Section D, Paragraph 6.

ARTICLE 83
Legal Capacity of the Organization
The Organization shall enjoy in the territory of each of its Members such legal capacity as may be necessary for the exercise of its functions and for the fulfilment of its purposes.

ARTICLE 84
Privileges and Immunities of the Organization
(1) The Organization shall enjoy in the territory of each of its Members such privileges and immunities as are necessary for the fulfilment of its purposes.

(2) Representatives of the Members of the Organization and its officials shall similarly enjoy such privileges and immunities as are necessary for the independent exercise of their functions in connection with the Organization.

(3) The Conference may make recommendations with a view to determining the details of the application of paragraphs (1) and (2) and may propose conventions to the Members for this purpose.

ARTICLE 85
Amendments to the Charter
(1) Amendments to this Charter shall become effective upon receiving the approval of the Conference by the affirmative votes of two-thirds of its Members.

(2) Notwithstanding the provisions of paragraph (1) those amendments, which involve new obligations upon the part of the Members of the Organization, shall take effect upon acceptance on the part of two-thirds of the Members for each Member accepting the amendments, and thereafter for each remaining Member on acceptance by it. In such cases the Conference may determine that any Member, which has not accepted the amendment, within
a period specified by the Conference, shall thereupon be obliged to withdraw from the Organization. In the absence of a determination that a Member shall be obliged to withdraw, a Member shall, notwithstanding the provisions of paragraph (1) of Article 89, have the right to withdraw, on due notice, as provided in paragraph (2) of that Article.

(3) The Conference shall, by the affirmative votes of two-thirds of its Members, adopt rules of procedure for carrying out the provisions of this Article.

ARTICLE 86
Interpretation and Settlement of Disputes

(1) The Chinese, English, French and Spanish texts of this Charter shall be regarded as equally authoritative.

(2) Any question of difference concerning the interpretation of this Charter or arising out of its operation shall be referred to the Executive Board for a ruling thereon. The Executive Board may decide either to give a ruling on the matter itself or to refer it, with the consent of the parties, to arbitration upon such terms as may be agreed by the parties. Any ruling of the Executive Board shall, upon the request of any Member directly affected or, if the ruling is of general application, upon the request of any Member, be referred to the Conference.

(3) Any justiciable issue arising out of a ruling of the Conference with respect to the interpretation of sub Paragraphs (c), (d), (e), or (f) of Article 37 or of paragraph (2) of Article 39 may be submitted by any party to the dispute to the International Court of Justice, and any justiciable issue arising out of any other ruling of the Conference may, in accordance with such procedures at the Conference shall establish, be submitted by any party to the dispute to the International Court of Justice. The Member accepting the jurisdiction of the Court in respect of any dispute submitted to the Court under this Article.

(4) The Organization may, in accordance with paragraph (4) of Article 80 of the Charter of the United Nations, request from the International Court of Justice advisory opinions on legal questions arising within the scope of its activities.

ARTICLE 87
Payment of Contributions

Each Member undertakes to contribute promptly to the Organization's expenses as apportioned by the Conference. A Member of the Organization, which is in arrears in the payment of its financial contributions to the Organization, shall have no vote in the Conference, if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The Conference may, nevertheless, permit such a Member to vote, if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

ARTICLE 88
Entry into Force

(1) The original of this Charter, as set forth in the Final Act of the United Nations Conference on Trade and Employment, shall be deposited with the Secretary-General of the United Nations, who will furnish certified copies thereof to all interested governments.

(2) Each government accepting this Charter shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all governments represented at the United Nations Conference on Trade and Employment and all other Members of the United Nations which were not represented at that Conference of the date of deposit of each instrument of acceptance and of the date on which this Charter enters into force under paragraph (3).

(3) This Charter shall enter into force of the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment, which have deposited acceptance pursuant to paragraph (1), shall reach twenty, and the acceptance of each other accepting government shall take effect on the sixtieth day following the day on which the instrument of such acceptance is deposited. Provided that, this Charter shall not have entered into force by 31 December 1946, any of the governments which have made effective the General agreement on Tariffs and Trade dated ....................... 1946, together with any other governments represented at the United Nations Conference on Trade and Employment, may agree to bring this Charter into force among themselves in accordance with any arrangements which they may agree upon. Any instrument of acceptance deposited with the Secretary-General of the United Nations shall be taken as covering both procedures for bringing this Charter into force, unless it expressly provides to the contrary or is withdrawn.

(4) Each government accepting this Charter does so in respect of its metropolitan territory and the overseas territories for which it has international responsibility with the exception of those territories which are self-governing in respect of matters provided for by the Charter. Each Member shall notify the Secretary-General of the United Nations of its acceptance of the Charter on behalf of any such self-governing territory willing to undertake the obligations of the Charter, and upon such notification the provisions of the Charter shall become applicable to that territory.

ARTICLE 89
Withdrawal and Termination

(1) Any Member of the Organization may withdraw from the Organization’s expenses as apportioned by the Conference. A Member of the Organization, which is in arrears in the payment of its financial contributions to the Organization, shall have no vote in the Conference, if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The Conference may, nevertheless, permit such a Member to vote, if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

(2) The withdrawal shall take effect six months from the date of the receipt of the notification by the Secretary-General Provided that the notification may be withdrawn at any time during that period.

(3) This Charter may be terminated at any time by agreement of three-fourths of the Members of the Organization.

ANNEXURE A

Lists of Territories referred to in sub-paragraph (2) (a) (ii) of Article 16.

   The Union of South Africa and South West Africa, Ireland, Newfoundland, Southern Rhodesia, Burma, Ceylon.
ANNEXURE 1

ECONOMIC AND SOCIAL COUNCIL

Resolution Regarding the Calling of an International Conference on Trade and Employment.

The Economic and Social Council, considering it essential that the co-operative economic measures already taken be supplemented by further international measures dealing directly with trade barriers and discriminations which stand in the way of the expansion of multilateral trade and by an undertaking on the part of nations to seek full employment

1. DECIDES to call an International Conference on Trade and Employment, in the latter part of 1946, for the purpose of promoting the expansion of production, exchange and consumption of goods;

2. CONSTITUTES a Preparatory Committee to elaborate an annotated draft agenda, including a draft convention, for consideration by the Conference, taking into account suggestions which may be submitted to it by the Economic and Social Council or by any Member of the United Nations;

3. SUGGESTS, as a basis of discussion for the Preparatory Committee, that the agenda include the following topics:

   (a) International agreement relating to the achievement and maintenance of high and stable levels of employment and economic activity.
   (b) International agreement relating to regulations, restrictions, and discriminations affecting international trade.
   (c) International agreement relating to restrictive business practices.
   (d) International agreement relating to intergovernmental commodity arrangements.
   (e) Establishment of an international trade organization, as a specialized agency of the United Nations, having responsibilities in the fields of (b), (c) and (d) above;

4. REQUESTS the Preparatory Committee, when considering the foregoing items, to take into account the special conditions which prevail in countries whose manufacturing industry is still in its initial stages of development, and the questions that arise in connection with commodities which are subject to special problems of adjustment in international markets;

5. REQUESTS the Preparatory Committee to report to a subsequent session of the Council recommendations regarding the date and place of the Conference and the agenda (including a draft convention) and also what States, if any, not Members of the United Nations, should be invited to the Conference on Trade and Employment;

6. APPOINTS as Members of the Preparatory Committee the representatives of the Governments of the following countries: Australia, Belgium, Luxembourg, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Netherlands, New Zealand, Norway, South Africa, USSR, the United States of America and the United Kingdom.

ANNEXURE 2

List of Delegates to the Preparatory Committees and of Representatives of Members of the United Nations not members of the Preparatory Committee, of Inter-governmental and Non-governmental Organizations.

AUSTRALIA

Dr. H. C. Coombs (Head of Delegation), Director-General, Dept. of Post-War Reconstruction.
Mr. E. McCarthy, Secretary, Department of Commerce and Agriculture.
Mr. C. E. Morton, Assistant Comptroller-General (Tariffs), Department of Trade and Customs.
Mr. J. J. Fletcher, Chief, Trade Relations and Trade Treaties Branch, Department of Trade and Customs.

BELGIUM-LUXEMBOURG

Mr. Van de Kerckhove d'Hallebeek, Minister Plenipotentiaire (Head of Delegation).
Mr. A. Le Bacq, Director-General of Customs.
Viscount de Face, Principal Inspector, Ministry of Economics.
Mr. G. Mostin, Director, Ministry of Agriculture.
Mr. C. Roger, Belgian Economic Mission in London.

LUXEMBOURG

Mr. P. Bastian, Delegate accredited to the Belgian-Luxembourg Institute.
Mr. C. Calmès, Attaché, Ministry of Foreign Affairs.

BRASIL

H. E. Senhor Mario Moreira da Silva, Head of Delegation, Envoy Extraordinary and Minister Plenipotentiary of Brazil in Bern.

CANADA

Mr. H. B. McKinnon, Head of Delegation, Chairman of Tariff Board.
Mr. D. Sim, Deputy Minister of Customs and Excises.
Mr. L. E. Couillard, Department of Trade and Commerce.
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance.
Mr. H. R. Kemp, Director, Commercial Relations and Foreign Tariff Division, Department of Trade and Commerce.
Mr. F. A. McGregor, Commissioner of Comptroller, Department of Justice.
Mr. S. D. Pierce, Head of Economic Division of Department of External Affairs.

CHILE

H. E. Senor don Manuel Bianchi, Head of Delegation, Chilean Ambassador in London.
Senor don Higinio Gonzales, Commercial Counsellor, Chilean Embassy.
Senor don Humberto Vidal, Consul-General of Chile.
Senor don Manuel Merino, Director of the Agricultural Bank.
Senor don Manuel Frederes, Secretary-General of the Chilean Development Corporation.
Senor don Raúl Fernandez.
Senor don Harold Biggs.
CHINA
Mr. H. E. Dr. Wunse King, Ambassador to Belgium.
Mr. T. T. Chang, Director, Department of Foreign Trade, Ministry of Economic Affairs.
Mr. How Ben, Member, Economic Planning Committee, Ministry of Economic Affairs.
Mr. C. L. Tang, Counsellor, Ministry of Finance.
Mr. K. S. Ma, Member, Tariff Commission, Ministry of Finance.

CUBA
Mr. H. E. Senor Alberto Incionte Alvarez, Minister of State for Foreign Affairs.
Mr. H. E. Senor G. de Blanck, Cuban Minister in London.
Mr. Rulo Lopez Frequet, Representative of the Treasury in the National Economic Board, Technical Adviser to the Ministry of Finance.
Mr. Jose Antonio Guerra, Representative of the Treasury in the National Economic Board and Statistical Adviser to the Finance Ministry.

CZECHOSLOVAKIA
H. E. Zodiac Augustinhaler, Envoy Extraordinary and Minister Plenipotentiary Czechoslovak Ministry of Foreign Affairs, Chief of Economic Department.
Mr. Max Sitterman, Czechoslovak Ministry of Foreign Trade, Chief of Planning Department.
Mr. Lucian Benda, Secretary of Legation, Czechoslovak Ministry of Foreign Affairs, Economic Department.
(Acting also as Secretary to the Delegation.)
Mr. Otto Bene, Counsellor, Czechoslovak Ministry of Foreign Affairs, Tariff Department.
Mr. Augustin Sboul, Counsellor, Czechoslovak Ministry of Industry, Foreign Trade Department.
Mr. Zdenko Bazrij, Czechoslovak National Bank, Chief of Research Department.
Mr. Jaroslav Kopen, Counsellor, Czechoslovak Ministry of Agriculture, Foreign Trade Department.
Mr. Karl Balu, Managing Director, Czechoslovak Sugar Company in London.
Mr. Olakar Vjela, First Secretary to the Czechoslovak Embassy in London.
Mr. Bohumil Bayer, Counsellor, Czechoslovak Ministry of Foreign Trade Planning Dept.
Mr. Rudolf Gazer, Counsellor, Slovak National Council.
Mr. Peter Zaklo, Counsellor, Slovak National Council.
Mr. Mikulas Viset, Czechoslovak Supply Company, Agricultural Adviser.

FRANCE
M. Harve Alphand, Head of Delegation, Director-General, Ministry for Foreign Affairs.
M. Roger Nathan, Director of Foreign Economic Relations, Ministry of National Economy.
M. Pierre Burau, Chief of Service, Ministry for Foreign Affairs.
M. Robert Marjolin, Assistant Commissioner for Economic Planning.
M. Roger Joffr, Director of Economic Affairs, Ministry of Agriculture.
M. Peter, Director of Economic Affairs, Ministry of Agriculture.
M. Jean Richard, Deputy Director, Ministry of National Economy.
M. Paul de Saill, Commercial Adviser, French Embassy, London.
M. Olivier Wormser, First Secretary, French Embassy, London.
M. Pierre Escoube, Technical Adviser, Ministry of National Economy.
M. Ernest Lecuyer, Ministry of Foreign Affairs.
M. Charles Ignat, Chief of Service, Ministry for Industrial Production.
M. Theodore Brosset, Director-General of Customs.
M. Louis Roux, Administrator of Customs.
M. Pierre Diehler, Ministry of National Economy.
M. Emile Royer, Ministry of National Economy.
M. Alexandre Kojeve, Ministry of National Economy.
M. Gaston Deans, Ministry of National Economy.
M. P. Demondj, Ministry of Labour.

INDIA
Mr. B. K. Nehru, I.C.S., joint Secretary to Government of India.
Mr. B. N. Adarkar, M.B.E., Deputy Economic Adviser to Government of India.
Mr. P. S. Lokanathan, Editor of Eastern Economist.
Mr. B. N. Ganguli, Professor of Economics, Delhi University.

INDONESIA
Mr. A. I. Qureshi, Economic Adviser to the Government of Hyderabad.
Mr. H. S. Malik, C.I.E., I.C.S., Prime Minister of Patiala State.
Mr. D. G. Mulherkar, Secretary of the Federation of Indian Chambers of Commerce and Industry.

LEBANON
Mr. George Hasikim, Alternate Delegate to Economic and Social Council.
Mr. Nadim Dimechki, Commercial Counsellor to Lebanon Legion, London.

NETHERLANDS
Mr. A. B. Speekenbrink, Head of Delegation, Ministry of Economic Affairs, The Hague.
Mr. L. J. Gotsen, Ministry of Overseas Territories, The Hague.
Mr. W. H. van den Berg, Ministry of Finance.
Mr. A. Van Koffels, Ministry of Economic Affairs.
Mr. Phos Luing Gie, Ministry of Overseas Territories.
Mr. C. N. Pool, Ministry of Agriculture, Fisheries and Food.
Professor Dr. J. Timbers, University of Rotterdam, Director of Central Planning Board.
Baron S. J. van Tuy van Serooskerken, Ministry of Foreign Affairs.
Professor Dr. E. de Vries, Ministry of Overseas Territories.
Mr. J. de Wael, Ministry of Overseas Territories.
Baron C. A. Beintinck, Administrator, Ministry of Overseas Territories.
Mr. W. G. F. Jongejan, Chairman of the Council for Zuid-Holland, Netherlands East Indies.
Mr. E. D. M. Koning, Director for Commercial and Industrial Relations, Ministry of Economic Affairs.
Mr. S. Korteweg, Administrator, Directorate-General for Foreign Economic Relations.
Mr. C. C. L. M. Eygenraam, Agricultural Counsellor, Netherlands Embassy, London.
Mr. D. M. de Smit, Commercial Counsellor, Netherlands Embassy, London.
Dr. A. Treep, Financial Counsellor, Netherlands Embassy, London.
Mr. P. H. Westermann, Trade Commissioner for the Netherlands East Indies, c/o Netherlands Embassy, London.

NEW ZEALAND
Mr. J. P. D. Johnsen, Assistant Comptroller of Customs.
Mr. G. W. Clinkard, Secretary of Industry and Commerce.
Mr. H. E. Davis, New Zealand Marketing Department.
Mr. P. W. Lawrence, Official Representative in London of the N.Z. Customs Department.
Mr. G. Lawrence (Secretary to Delegation), Department of Industry and Commerce.

NORWAY
H. E. M. Erik Colban, Head of Delegation, Norwegian Ambassador in London.
Mr. J. Melander, Commercial Counsellor to the Royal Norwegian Embassy in London.
Mr. Johannes Brunnes, President of the Federation of Norwegian Industries.
Mr. Erling Steen, Former President of the Norwegian Federation for Trade and Commerce.
Mr. Bjarte Boeber, Director of the Norwegian Export Council.
Mr. Johannes Dannewig, Director of Customs and Excise.
Mr. Bjarte Robberstad, Chief of Division in the Norwegian Customs Department.
Mr. Tor Skrinjo, Chief of Division in the Directorate of Employment.
Mr. Harald Elstad, Chief of Division in the Directorate of Price Control.
Mr. Arne Jøbesen.

UNION OF SOUTH AFRICA
Mr. A. T. Brennan, Head of Delegation, Head of Union Supply Mission in Washington.
Mr. A. P. van der Post, Alternate Head of Delegation, Trade Commissioner in the United Kingdom.
Mr. G. J. F. Steyn, Department of Commerce and Industries.
Dr. A. J. Heykendal, Department of Agriculture.
Mr. J. G. Cherry, Department of Customs and Excise.
Mr. W. C. Naudé, Economic Adviser to the High Commissioner in the United Kingdom.
UNITED STATES
Mr. Clair Wilcox, Head of Delegation, Director, Office International Trade Policy, Department of State.
Mr. Lyon R. Edminster, Vice-Chairman U.S. Tariff Commission.
Mr. Frank M. Shields, Chief, Commercial Policy Staff Office International Trade, Department of Commerce.
Mr. Robert B. Schwenger, Chief, Division International Economic Studies, Office Foreign Agricultural Relations, Department of Agriculture.
Mr. John Pearson, Consultant, Division Post-War Employment Problems, Department of Labour.
Mr. John W. Gunter, U.S. Treasury Representative, American Embassy, London.
Mr. William R. Johnson, Commissioner of Customs Dept. of Treasury.

UNITED KINGDOM
Mr. H. A. Marquand, M.P.
Mr. J. R. C. Helzelo, C.M.G.
Mr. E. L. Hall-Patch, C.M.G.
Mr. J. E. Meade.
Sir Gerard Clauson, K.C.M.G., O.B.E.

REPRESENTATIVES OF COUNTRIES MEMBERS OF THE UNITED NATIONS

Colombia
Dr. José Enrique Cavigia, Commercial Counsellor, Colombian Embassy.
Senor Don José Medina.

Denmark
Mr. Anton Vestbirk, Danish Consul General in London.
Mr. Hodgall, Vice Consul and Commercial Secretary in London.

Poland
Dr. Lychowski, Chief Polish Observer.
Dr. Alexandrovitch, Financial Counsellor, Polish Embassy.
Dr. Tuskiewicz, Commercial Attaché, Polish Embassy.

REPRESENTATIVES OF INTER-GOVERNMENTAL ORGANIZATIONS

Senor Don Alberto Pérez Saez, Consul General for Peru.

Mexico
Dr. F. Cueva Cancino, Attaché, Mexican Embassy.

Syria
M. Said Raid.

Food and Agriculture Organization
Dr. S. L. Louwes, Special Adviser to the Director-General, F.A.O.

International Bank
Mr. Ansel Luxford, Assistant General Counsel.
Mr. Walter Hill, Assistant Director of Research.

International Labour Office
Mr. D. C. Tait.

International Monetary Fund
Mr. George Luthringer, Alternate Executive Director for the United States.
Mr. Walter Gardner, Chief of Balance of Payments Division.
Mr. Ernest Sturc, Chief of the Central and Eastern European Division.
Professor A. C. B. Fisher.

REPRESENTATIVES OF NON-GOVERNMENTAL ORGANIZATIONS

International Chamber of Commerce
Mr. Wallace B. Phillips, President, American Chamber of Commerce, London.

International Co-operative Alliance
Lord Rusholme, President, International Co-operative Alliance.

World Federation of Trade Unions
M. Jean Daret, Director Economic Bureau C.G.T.

American Federation of Labour
Mr. Thomas J. Kennedy.

 ANNEXURE 3

Agenda of the Preparatory Committee

1. Opening of the Session by the temporary President.
2. Remarks by the representative of the host Government.
3. Adoption of the provisional rules of procedure.
4. Election of the Chairman.
5. Election of the First Vice-Chairman.
6. Election of the Second Vice-Chairman.
7. Adoption of the Provisional Agenda.
8. General discussion of the scope of the work of the Preparatory Committee.
10. (e) International agreement relating to the achievement and maintenance of high and steadily rising levels of effective demand, employment and economic activity.
(b) International agreement relating to industrial development.
(c) International agreement relating to regulations, restrictions and discriminations affecting international trade.
(d) International agreement relating to restrictive business practices.
(e) International agreement relating to inter-governmental commodity arrangements.
(f) Establishment of an international trade organization, as a specialized agency of the United Nations, having appropriate responsibilities in the above fields. (Article 3 of the Council Resolution.)
11. Elaboration of annotated draft agenda, including a draft Convention, for consideration by the International Conference on Trade and Employment. (Article 2 of the Council Resolution.)
12. Date and place of the International Conference on Trade and Employment. (Article 5 of the Council Resolution.)
13. Determination of what States, if any, not Members of the United Nations, should be invited to the Conference on Trade and Employment. (Article 5 of the Council Resolution.)
14. Final consideration and adoption of reports of Committees.
15. Adoption of the report of the Preparatory Committee for submission to the Economic and Social Council on agenda items 10, 11, 12 and 13 in accordance with the Economic and Social Council’s Resolution of 19 February 1946, setting up the Preparatory Committee.
16. Other items.
ANNExure 4

rules on Procedure

Chapter I.—Agenda

Rule 1
The provisional agenda for each meeting shall be drawn up by the Executive Secretary in consultation with the Chairman and shall be communicated to the representatives as soon as possible after its preparation.

Rule 2
The first item upon the provisional agenda of any meeting shall be the adoption of the agenda.

Rule 3
The Preparatory Committee may decide to review, add to or delete from the agenda.

Chapter II.—Representation and Credentials

Rule 4
Each member of the Preparatory Committee shall be represented by an accredited representative.

Rule 5
Each representative may be accompanied by such alternate representatives and observers as he may require.

Rule 6
The credentials of representatives and the names of alternate representatives and advisers shall be submitted to the Executive Secretary within one week of the opening meeting of the Preparatory Committee. The Chairman and the Vice-Chairman shall examine the credentials of representatives without delay and submit a report thereof to the Preparatory Committee for approval.

Chapter III.—Chairman and Vice-Chairman

Rule 7
The Preparatory Committee shall elect from its representatives a Chairman, a First Vice-Chairman and a Second Vice-Chairman, who shall all hold office for the duration of the present session of the Preparatory Committee.

Rule 8
If the Chairman is absent from a meeting, or any part thereof, the First Vice-Chairman, or in the latter’s absence, the Second Vice-Chairman, shall preside.

Rule 9
If the Chairman ceases to represent a member of the Preparatory Committee, or is so incapacitated that he can no longer hold office, the First Vice-Chairman shall become Chairman. If the First Vice-Chairman ceases to represent a member of the Preparatory Committee, or is so incapacitated that he can no longer hold office, the Second Vice-Chairman shall take his place.

Rule 10
A Vice-Chairman acting as Chairman shall have the same powers and duties as the Chairman.

Rule 11
The Chairman or a Vice-Chairman acting as Chairman shall participate in the meetings of the Preparatory Committee and its committees, and either he or she must be present at all meetings of the Preparatory Committee and its committees. The Preparatory Committee shall permit an alternate representative to represent a member in the meetings of the Preparatory Committee and to exercise his right to vote.

Chapter IV.—Secretariat

Rule 12
The Executive Secretary shall act in that capacity at all meetings of the Preparatory Committee and its committees. He may appoint another member of the staff to take his place at any meeting of the Preparatory Committee or of its committees.

Rule 13
The Executive Secretary shall provide and direct such staff as is required by the Preparatory Committee or by any of its committees or sub-committees.

Rule 14
The Executive Secretary, or his deputy acting on his behalf, may at any time upon the invitation of the Chairman of the Preparatory Committee or of the chairman of a committee or sub-committee, make either oral or written statements concerning any question under consideration.

Rule 15
The Executive Secretary shall be responsible for making all necessary arrangements for meetings of the Preparatory Committee and of its committees and sub-committees.

Chapter V.—Conduct of business

Rule 16
A majority of the members of the Preparatory Committee shall constitute a quorum.

Rule 17
In addition to exercising the powers conferred upon him elsewhere by these Rules, the Chairman shall declare the opening and closing of each meeting of the Preparatory Committee, shall direct the discussion, ensure the observance of these Rules, and shall accord the right to speak, put questions to the vote and announce decisions. The Chairman may also call a speaker to order if his remarks are not relevant to the subject under discussion.

Rule 18
The chairman of a committee or a rapporteur appointed by a committee to present its report may be accorded precedence for the purpose of explaining the report.

Rule 19
During the discussion of any matter a representative may raise a point of order. In this case the chairman shall immediately state his ruling. If it is challenged, the chairman shall forthwith submit his ruling to the Preparatory Committee for decision and it shall stand unless overruled.

Rule 20
During the discussion of any matter a representative may move the adjournment of the debate. Any such motion shall have priority. In addition to the proposer of the motion, one representative may be allowed to speak in favour of, and one representative against the motion.

Rule 21
A representative may at any time move the closure of the debate whether or not any other representative has signified his wish to speak. Not more than two representatives may be granted permission to speak against the closure.

Rule 22
The Chairman shall take the sense of the Preparatory Committee on a motion for closure. If the Preparatory Committee is in favour of the closure, the Chairman shall declare the debate closed.

Rule 23
The Preparatory Committee may limit the time allowed to each speaker.

Rule 24
Proposed resolutions, amendments and substantive motions shall be introduced in writing and handed to the Executive Secretary who shall circulate copies to the representatives. Unless the Preparatory Committee decides otherwise, no such proposal shall be discussed or put to the vote at any meeting of the Preparatory Committee unless copies of it have been distributed to the representatives at least twenty-four hours before the meeting concerned.

Rule 25
Proposed principal motions and draft resolutions shall have precedence in the order of their submission.

Rule 26
Parts of a proposed motion or of a draft resolution shall be voted on separately at the request of any representative, unless the mover of the motion or resolution objects.

Rule 27
When an amendment moves, adds to or deletes from a proposal, the amendment shall be put to the vote first, and if it is adopted, the amended proposal shall then be put to the vote.
If two or more amendments are moved to a proposal, the Preparatory Committee shall vote first on the amendment furthest removed in substance from the original proposal, then on the amendment next furthest removed and so on, until all the amendments have been put to the vote.

Rule 29
It shall not be necessary for any proposed motion or draft resolution submitted by a representative on the Preparatory Committee to be seconded before being put to a vote.

Chapter VI—Voting
Each member of the Preparatory Committee shall have one vote.

Decisions of the Preparatory Committee shall be made by a majority of the members present and voting.

The Preparatory Committee shall normally vote by show of hands except when any representative requests a roll call which shall then be taken in the English alphabetical order of the names of the members.

The vote of each member participating in any roll call and any abstentions shall be inserted in the record.

When the Preparatory Committee is deciding a question relating to individuals, a secret ballot shall be taken.

If, when only one member or person is to be elected, no candidate obtains in the first ballot the majority required, a second ballot shall be taken confined to the two candidates obtaining the largest number of votes. If, in the second ballot, the votes are equally divided, the chairman shall decide between the candidates by drawing lots.

If the Preparatory Committee is equally divided when a vote is taken on a question other than an election, a second vote shall be taken at the next meeting. If the Preparatory Committee is then again equally divided, the proposal shall be regarded as rejected.

Chapter VII—Languages
Chinese, English, French, Russian and Spanish shall be the official languages of the Preparatory Committee, and English and French the working languages.

Speeches made in either of the working languages shall be interpreted into the other working language.

Speeches made in any of the other three official languages shall be interpreted into both working languages.

Any representative may make a speech in a language other than an official language. In this case he himself must provide for interpretation into one of the working languages. Interpretation into the other working language by an interpreter of the Secretariat may be based on the interpretation given in the first working language.

Verbatim records shall be drawn up in the working languages. A translation of the whole or any part of any verbatim record into any of the other official languages shall be furnished if requested by any representative.

Chapter VIII—Representation of Members of the United Nations Not Members of the Preparatory Committee and of Specialized Inter-Governmental Agencies and Non-Governmental Organizations
Representatives of the International Labour Organization, the Food and Agricultural Organization, the International Monetary Fund and the International Bank for Reconstruction and Development may attend meetings of the Preparatory Committee and of its committees and participate without vote in their deliberations with respect to items on their agenda relating to matters within the scope of their respective activities.

The provisions of the Report of the Committee of the Economic and Social Council on Arrangements for Consultation with Non-Governmental Organizations, approved by the Council on 21 June 1946, shall apply to the meetings of the Preparatory Committee as appropriate. The committees of the Preparatory Committee may consult with the World Federation of Trade Unions, the International Co-operative Alliance, the American Federation of Labour and the International Chamber of Commerce either directly or through committees established for the purpose. Such consultations may be arranged on the invitation of the working committee or on the request of the organization.

The representatives of governments, who are not members of the Preparatory Committee but who are Members of the United Nations, can take part as observers at all meetings of the Preparatory Committee and of its committees and sub-committees.

Chapter IX—Records
Summary records of the meetings of the Preparatory Committee and its committees shall be kept by the Secretariat. They shall be sent as soon as possible to all representatives who shall inform the Secretariat not later than twenty-four hours after the circulation of the summary records of any changes they wish to have made.

Verbatim records of the meetings of the Preparatory Committee and its committees shall be kept by the Secretariat. Case copy of the record of each meeting shall be sent as soon as possible to all representatives.

The verbatim records of public meetings shall be available to the public. The verbatim records of private meetings shall be available to Members of the United Nations and to specialized inter-governmental agencies.

Chapter X—Publicity of Meetings
The meetings of the Preparatory Committee shall be held in public unless the Preparatory Committee decides that a meeting shall be held in private.

The meetings of the committees of the Preparatory Committee shall ordinarily be held in private. Each committee may decide that a particular meeting or meetings shall be held in public.
Rule 53
The meetings of sub-committees shall be held in private.

Rule 54
After a private meeting has been held, the Executive Secretary, with the approval of the body concerned, may issue a communiqué to the Press.

CHAPTER XI—COMMITTEES AND SUB-COMMITTEES

Rule 55
The Preparatory Committee may set up such committees and sub-committees as it deems necessary for the performance of its functions.

Rule 56
Each committee and sub-committee shall elect its own officers.

Rule 57
A chairman of a committee or a vice-chairman acting as chairman shall participate in the meetings of the committee as such and not as the representative of a member. The committee shall permit another representative to represent that member in the meetings of the committee and to exercise the member's right of vote.

ANNEXURE 5
Resolution concerning the Second Session of the Preparatory Committee

Whereas the Economic and Social Council on 18 February 1946, decided to call an International Conference on Trade and Employment and constituted a Preparatory Committee to draw up an annotated draft agenda including a draft convention for consideration by the Conference.

And whereas it has not been found practicable to complete the work of the Preparatory Committee at its First Session

The Preparatory Committee of the International Conference on Trade and Employment

Hereby resolves to convene a Second Session at Geneva on 8 April 1947, which shall consider, inter alia, Item 11, 13, 15 and 16 of the Agenda of the Preparatory Committee.

And instructs the Executive Secretary to communicate with the member Governments to make the necessary arrangements for such Second Session to commence on 8 April 1947.

ANNEXURE 6
Resolution regarding the appointment of a Drafting Committee

Whereas the Preparatory Committee has decided to convene a Second Session at Geneva on 8 April 1947.

And whereas it is desirable that further drafting be done on the basis of the work carried out at the First Session before the Commencement of the Second Session.

The Preparatory Committee of the International Conference on Trade and Employment

Hereby appoints a Drafting Committee consisting of representatives of members of the Preparatory Committee to meet in New York beginning 20 January 1947, for the purpose of preparing a Draft Charter based upon the report and other documents of the First Session of the Preparatory Committee.

It is resolved that
1. It will be the function of the Drafting Committee to prepare a Draft Charter or Articles of Agreement, editing for clarity and consistency the portions of the text on which the Preparatory Committee has come to a substantial identity of views, preparing alternative drafts of those portions on which there remains a division of general views and preparing suggested drafts covering such uncomplicated portions as are referred to it by the Preparatory Committee, together with such explanatory notes and commentaries as the Drafting Committee may consider desirable and useful.

2. The Drafting Committee should prepare a report for consideration by the Preparatory Committee at its Second Session.

3. The Drafting Committee should complete its work with all possible dispatch and in any case not later than 28 February 1947, in order that its report may be forwarded to governments for consideration in advance of the Second Session of the Preparatory Committee.

It is suggested that members appoint to the Drafting Committee not more than two or three technical experts drawn as far as possible from the delegation which have participated in the work of the First Session of the Preparatory Committee.

ANNEXURE 7
Resolution Regarding the Negotiation of a Multilateral Trade Agreement Embodied in Tariff Concessions

Whereas the Resolution of the Economic and Social Council on 18 February 1946, decided to call an International Conference on Trade and Employment for the purpose of promoting the expansion of production, exchange and consumption of goods, constituted this Committee to elaborate an annotated draft agenda, including a draft convention, for consideration by the Conference, and suggested that the Agenda of this Committee include among its topics "International Agreement relating to regulations, restrictions and discriminations affecting international trade," and "Establishment of an International Trade Organization"

Whereas the United States Government had invited the governments appointed by the Economic and Social Council as members of this Committee to meet to negotiate concrete arrangements for the relaxation of tariffs and trade barriers of all kinds and the invitation has been accepted by the governments attending the present session of the Preparatory Committee and
Whereas the task of the Conference will be facilitated if concrete action is taken by the principal trading nations to enter into reciprocal and mutually advantageous negotiations directed to the substantial reduction of tariffs and to the elimination of preferences.

The Preparatory Committee of the International Conference on Trade and Employment

Hereby recommends the governments concerned that the meeting of members of the Preparatory Committee envisaged by the invitations sent out by the United States Government should be held under the sponsorship of the Preparatory Committee in connection with, and as a part of, the Second Session of the Committee, conducted in accordance with the procedures recommended in the Memorandum on Procedures approved by the Preparatory Committee at its current Session.

And invites the member governments to communicate to the Executive Secretary their views on this recommendation.

ANNEXURE 8
Resolution Regarding Industrial Development

Whereas it is anticipated that the Economic and Social Council will shortly consider the question of dividing responsibilities not yet allocated in the field of economic development among the various agencies concerned and of co-ordinating these activities.

And whereas the Preparatory Committee at its First Session has discussed the positive functions in relation to industrial development which might be exercised by the International Trade Organization, particularly the furnishing of advice to members concerning their plans and, within its competence and resources, the provision of technical aid in the formulation and execution of such plans.

And whereas so that the Preparatory Committee may further carry out its terms of reference as regards industrial development, it is desirable for it to have the guidance of the Economic and Social Council upon the views which were exchanged at the First Session.

The Preparatory Committee of the International Conference on Trade and Employment

Hereby requests the Executive Secretary to draw the attention of the Economic and Social Council to those portions of the Report of the Preparatory Committee which are concerned with the possible performance by the International Trade Organization of functions in relation to industrial development and to ask the Economic and Social Council to state, before the commencement of the Second Session of the Committee, whether paragraph (3) of Article II of the Charter included provisionally in the Chapter on Economic Development is in accordance with the Council's views on the appropriate allocation of functions relating to economic development.

ANNEXURE 9
Resolution Relating to Inter-Governmental Consultation and Action on Commodity Problems Prior to Establishment of the International Trade Organization

Whereas certain difficulties of the kind referred to in the Chapter on Inter-governmental Commodity Arrangements of the Charter appended to the Report of the Preparatory Committee have already occurred in respect of certain primary commodities and the Government concerned are already taking action on the general lines proposed in that Chapter and

Whereas similar difficulties may occur in respect of other primary commodities and

Whereas the Preparatory Committee is agreed that it is desirable that action taken in respect of such commodities should proceed on the general lines proposed in the Chapter appended thereto,

The Preparatory Committee of the International Conference on Trade and Employment

Recommends that, insofar as inter-governmental consultation or action in respect of particular commodities is necessary before the International Trade Organization is established, the Governments concerned should adopt as a guide the Chapter on Inter-governmental Commodity Arrangements of the Charter appended to the Report of the Committee and

Requests the Secretary-General of the United Nations, pending the establishment of the International Trade Organization, to appoint an Inter-coordinating Committee for International Commodity Arrangements, to consist of the Executive Secretary of the Preparatory Committee for an International Conference on Trade and Employment as Chairman, a representative from the Food and Agriculture Organization to be concerned with agricultural primary commodities, and a person to be selected at the discretion of the Secretary-General to be concerned with non-agricultural primary commodities, this Committee to keep informed of inter-governmental consultation or action in this field and to facilitate by appropriate means such consultation or action.

ANNEXURE 10
MULTILATERAL TRADE-AGREEMENT NEGOTIATIONS

Procedures for Giving Effect to Certain Provisions of the Charter of the International Trade Organization by Means of a General Agreement on Tariffs and Trade Among the Members of the Preparatory Committee

Section A.—Introduction

The Preparatory Committee has resolved to recommend to the governments concerned that the Committee sponsor traffic and preference negotiations among its members to be held in Geneva commencing 8 April, 1947.** Upon the completion of these negotiations the Preparatory Committee would be in a position to complete its formulation of the Charter and approve and recommend it for the consideration of the International Conference on Trade and Employment which would be in a position to consider the Charter in the light of the assurance afforded as to the implementation of the tariff provisions.

* See Annexure 7.

Section B.—Proposed Negotiations among Members of Preparatory Committee

General

The results of the negotiations among the members of the Preparatory Committee will need to be fitted into the framework of the International Trade Organization after the Charter has been adopted. The negotiations must, therefore, proceed in accordance with the relevant provisions of the Charter provisionally formulated by the Preparatory Committee. In the light of these provisions, the comments and explanations which follow may be useful as a guide to the negotiations.
General Objectives

An ultimate objective of the Charter, elaborated in Article 24, is to bring about the substantial reduction of tariffs and the elimination of trade preferences. The negotiations among the members of the Preparatory Committee should, therefore, be directed to this end and every effort must be made to achieve as much progress toward this goal as may be practicable in the circumstances, having regard to the provisions of the Charter as a whole.

Section C—General Nature of Negotiations

1. Article 24 of the Charter provides that tariff negotiations shall be on a "reciprocal" and "mutually advantageous" basis. This means that no country would be expected to grant concessions unilaterally, without action by others, or to grant concessions to others which are not adequately counterbalanced by concessions in return.

2. The proposed negotiations are also to be conducted on a selective, product-by-product basis which will afford an adequate opportunity for taking into account the circumstances surrounding each product on which a concession may be considered. Under this selective procedure a particular product may or may not be made the subject of a tariff concession by a particular country. If it is excepted from a particular concession or product, the concession may either take the form of a binding of the tariff against increase or a reduction of the tariff. If the tariff on the product is reduced, the reduction may be made in greater or lesser amount. Thus, in seeking to obtain the substantial reduction of tariffs as a general objective, there is ample flexibility under the selective procedure for taking into account the needs of individual countries and individual negotiations.

3. The same considerations and procedures would apply in the case of import tariff preferences, it being understood that, in accordance with the principles set forth in Article 14 of the Charter (Most-Favoured-Nation Treatment) any preferences remaining after the negotiations may not be increased.

4. The various observations in this report regarding the negotiation of tariffs and tariff preferences should be read as applying to the particular member of the Preparatory Committee, as it, or may become, a principal supplier, but to whether the members of the Committee, taken as a whole, supply, or are likely to supply, a principal part of the product in question.

Section D—General Rules to be observed in Negotiations

Paragraph (1) of Article 24 of the Charter sets forth the following self-explanatory rules to be observed during the negotiations:

(a) International commitments shall not be permitted to stand in the way of negotiations with respect to tariff preferences, it being understood that action in the product list shall not require the modification of existing international obligations except by agreement between the contracting parties or, failing that, by termination of such obligations in accordance with their terms.

(b) All negotiated reductions in most-favoured-nation import tariffs shall operate automatically to reduce or eliminate margins of preference.

(c) The binding or consolidation of low tariffs or of tariff-free treatment shall be principle in recognition that a concession equivalent in value to the substantial reduction of high tariffs or the elimination of tariff preferences.

Section E—Miscellaneous Rules for Guidance

There are a number of additional questions which should be kept in mind in preparing for the proposed tariff negotiations among the members of the Preparatory Committee.

Base Date for Negotiations

1. Paragraph (1) of Article 24 of the Charter would except from the most-favoured-nation provisions preferences "which do not exceed the preferences remaining after... negotiations." This means that all margins of preference remaining after negotiations would be bound against increase. Also, as explained above, Article 14 requires that reductions of most-favoured-nation rates of duties shall operate automatically to reduce or eliminate margins of preference.

2. In order to determine what residual preferences shall be bound against increase under Article 24, and in order to determine what preferences shall be reduced or eliminated automatically under Article 24, it is necessary to establish a date which will fix the height of the preferences in effect prior to the negotiations.

3. It would be desirable for such purposes to fix a single date, common to all the countries participating in the negotiations. However, the discussions during the First Session of the Preparatory Committee pointed to certain difficulties in the establishment of a common date presents certain difficulties and may not be practicable. It is, therefore, suggested that immediately after the dissolution of the First Committee each member of the Committee concerned should inform the Secretariat of the United Nations as to the date which it proposes to use as the base date for negotiations with respect to preferences. The Secretariat will promptly inform the other members. The base date for negotiations established by any country granting preferences should hold good for its negotiations on all products with all other members of the Preparatory Committee and should not vary from member to member or from product to product.

Avoidance of New Tariff or other Restrictive Measures

It is important that members do not effect new tariff measures prior to the negotiations which would tend to prejudice the success of the negotiations by increasing progress toward the objectives set forth in Article 24, and they should not seek to improve their bargaining position by tariff or other restrictive measures in preparation for the negotiations. Changes in the form of tariffs, or changes in tariffs owing to the depreciation or devaluation of the currency of the country maintaining the tariffs, which do not result in an increase of the protective incidence of the tariff, should not be considered as new tariffs increases under this paragraph.

Principal Supplier Rule

1. It is generally agreed that the negotiations should proceed on the "principal supplier" rule, as defined in this paragraph. This means that each country would be expected to consider the granting of tariff or preference concessions only on products of which the other members of the Preparatory Committee, are, or are likely to be, principal suppliers.

2. In determining whether, on the basis of the "principal supplier" rule, a product is to be included in the negotiations, reference should be had not merely to whether a country supplies a particular country, but also whether it, or may become, a principal supplier, and to whether the Committee, taken as a whole, supply, or are likely to supply, a principal part of the product in question.

3. In other words, if a principal part of total imports of a particular product into the territory of a particular country is supplied by the members of the Preparatory Committee taken together, then the importing member should, as a general rule, be willing to include that product in the negotiations, even though no single other member of the Committee, taken by itself, supplies a principal part of the total imports of products.

4. In estimating the future prospects of a member, or the members taken together, to become a principal supplier of a product, consideration should be given to the probable disappearance of ex-enemy countries as suppliers of certain products and of the changes in the currents of trade created by the war.

Form of Tariff Schedules

1. It is contemplated that the tariff negotiations among the members of the Preparatory Committee will be multilateral, both in scope and in legal application. Thus, there would result from the negotiations a total of sixteen schedules of tariff concessions, each schedule setting forth a description of the products and of the maximum (cessation) rates of lesser, or, the product that would be applicable in respect of the imports into a particular country. In this way each member of the Committee would be contractually entitled, in its own right and independently of the most-favoured-nation clause, to each of the concessions in each of the schedules of the other members.

2. The multilateral form of the tariff schedules is designed to provide more stability than has existed in the past under bilateral tariff agreements, to assure a certain broad action for the reduction of tariffs and to give to countries a right to tariff concessions on particular products which certain countries might wish to obtain, but could not obtain under bilateral agreements, because of their relatively less important position as the suppliers of the product concerned.

* If the principles indicated in Article 23 of the Draft Charter should prove acceptable to the Soviet Union, these may in addition, be a schedule relating to an undertaking by the Soviet Union to purchase announced products valued at not more than an aggregate amount to be agreed upon.
The multilateral form also gives expression to the fact that each country stands to gain when another country grants tariff reductions on any product, even though primarily supplied by a third country. This point can be finally settled when the negotiations have proceeded sufficiently to enable all the varying factors to be taken into account.

**Status of Preferential Rates of Duty**

1. The formulation by each member of the Preparatory Committee of a schedule of tariff concessions, which would apply to all other members, raises a question as to the method of relating to such schedules preferential rates of duty, which have been negotiated, as well as preferential rates on products for which most-favoured-nation rates have been negotiated. There appear to be two methods which might be followed:

   (a) Such preferential rates might be incorporated in the multilateral schedules, qualified by the requirement that they apply only to the products of the countries receiving proposed treatment.

   (b) Such preferential rates might be incorporated in separate schedules which would apply only to the preferred countries.

2. It should be left to the country concerned to determine which of the two methods indicated above it desires to follow. However a single schedule containing both most-favoured-nation and preferential rates would seem to facilitate the work of both traders and governments.

**Section F.—Procedures for Conducting Negotiations among the Members of the Preparatory Committee**

1. It is believed that the tariff negotiations among the members of the Preparatory Committee can best be conducted in four stages:

   **First Stage.** (a) Each member should transmit to each other member, from which it desires to obtain tariff concessions, a list of products for which it desires to offer terms of reduction as soon as possible and preferably not later than 31st December, 1946. A preliminary list of concessions which it desires to request of each other member. This list should be forth for each product concerned

   (i) an indication of the existing rate of duty (where known) and

   (ii) an indication of the requested rate of duty.

2. Thirty copies of this list should be sent simultaneously to the Secretariat of the United Nations, which will transmit one copy to each of the other members of the Preparatory Committee.

3. In order to facilitate the negotiations, each member of the Preparatory Committee should transmit to the Secretariat of the United Nations, as soon as possible and preferably not later than 31st December, 1946, thirty copies of its customs tariff showing the rates of duty currently applicable. The Secretariat will promptly transmit one copy to each of the other members of the Committee.

**Second Stage.** At the opening of the Second Session of the Preparatory Committee each member should submit a schedule of the proposed concessions which it would be prepared to grant to all other member in the light of the concessions it would have requested from each of them.

**Third Stage.** (a) Notwithstanding the multilateral character of the negotiations, it will usually be found that only two or three countries will be directly and primarily concerned in the concessions on a particular product, and that the interest of other countries, although material, will be secondary.

(b) It is, therefore, proposed that the third stage of the negotiations will consist of discussions on particular products between two, or possibly three or four countries. Accordingly for the purpose of engaging in such negotiations, each country should to the extent practicable have separate groups of persons competent to negotiate with each of the other countries with which important negotiations are likely to be conducted.

(c) The number of negotiating groups required by each country will, of course, tend to vary with the scope of its trade relations. In the case of large trading countries having important trade relations with most or all of the other members of the Committee, a large number of negotiating groups will be required. In the case of countries having less extensive trade relations, a smaller number of negotiating groups will be sufficient.

(d) In any event the timing of negotiations between particular groups will need to be scheduled, and in order that the Secretariat have adequate notice to prepare for such scheduling, it would be desirable for each member of the Committee to notify the Secretariat at the earliest possible date of the number of negotiating groups which the member proposes to send to the negotiating meetings and of the country or countries to which each negotiating group relates.

**Fourth Stage.** (a) The progress of the negotiations should be subject to general review by the Committee as a whole periodically during the negotiations and also in the final stage. General review by the Committee as a whole will enable each member to assess the benefits which it is likely to receive from the series of negotiations in the light of its total contributions, and will offset the tendency toward limiting concessions which results from a comparison of benefits exchanged between two countries alone.

(b) It is clear that the general review by the Committee as a whole cannot take the form of a detailed examination of each concession. Rather the Committee would review the general level of tariff reduction achieved as indicated in summary reports. At the same time each member would be entitled to request, on request, detailed information as to the status of negotiations on particular products between other members in order that it may be in a position to assert an interest in such negotiations.

2. In order that the negotiations may proceed in an orderly fashion, it is desirable that a Steering Committee be established as soon as the various delegations have assembled at the Second Session.

**Section G.—Result of the Negotiations**

If the tariff negotiations proceed successfully along the lines set forth above, there should emerge from the negotiations a tariff schedule for each member, each schedule containing concessions granted to all of the other members in their own right. These schedules might be identified as follows:

*Names of Country.*

<table>
<thead>
<tr>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Belgium - Luxembourg - Netherlands</td>
</tr>
<tr>
<td>Customs Union, Belgian Congo and Netherlands Overseas Territories</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Chile</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Cuba</td>
</tr>
<tr>
<td>Czechoslovakia</td>
</tr>
<tr>
<td>France and French Union</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>New Zealand</td>
</tr>
<tr>
<td>Norway</td>
</tr>
<tr>
<td>Syro-Lebanese Customs Union</td>
</tr>
<tr>
<td>United Kingdom and the overseas territories</td>
</tr>
<tr>
<td>(Union of Soviet Socialist Republics</td>
</tr>
<tr>
<td>United Kingdom and the overseas territories for which it has international responsibility</td>
</tr>
<tr>
<td>United States</td>
</tr>
</tbody>
</table>

**Section H.—General Agreement on Tariffs and Trade**

1. Once agreed upon the tariff schedules resulting from the negotiations among the members of the Preparatory Committee cannot easily be held in abeyance pending action by the International Conference on Trade and Employment and the adoption of the Charter by national legislatures.

2. It is, therefore, proposed that the tariff schedules be incorporated in an agreement among the members of the Preparatory Committee, which would also contain: *Separate, or possibly subdivisional, schedules may be necessary in the case of certain countries in order to provide adequately for certain overseas territories.

† If the principles indicated in Article 33 of the Charter should prove acceptable to the Soviet Union, this schedule would relate not to tariff concessions, but to an undertaking to purchase annually products valued at not less than an aggregate amount to be agreed upon.
either by reference or by reproduction, those general provisions of Chapter V of the Charter considered essen-
tial to safeguard the value of the tariff concessions and such other provisions as may be appropriate. The Agree-
ment should contain a provision under which the signatory governments could make any adjustments in the Agree-
ment which may be desirable or necessary in the light of the action taken by the International Conference on Trade
and Employment on the Charter. A draft outline of a General Agreement on Tariffs and Trade appears in
Section 1. The Drafting Committee should consider this outline and prepare a more complete draft for the con-
sideration of the Preparatory Committee at its Second Session.

3. The General Agreement on Tariffs and Trade should be signed and made public at the close of the tariff nego-
tsiations. The Agreement should be legally independent of the Charter and should be brought into force as soon
as possible after its signature and publication. Countries should be free to withdraw from the agreement at the end of three years or thereafter on giving six months' prior
notice. This will provide an opportunity for a review of the Agreement and any adjustment of the tariff
schedules which may be considered desirable.

4. The Agreement should conform in every way to the principles laid down in the Charter and should not contain
any provision which would prevent the operation of any, provision of the Charter.

5. The tariff concessions granted under the Agreement should be provisionally generalised to the trade of other
countries pending the consideration by the International Conference on Trade and Employment of the question
whether benefits granted under the Charter should be extended to countries which do not join the International
Trade Organization and which, therefore, do not accept the obligations of Article 24.

Section 1.—Creation of a Provisional Agency pending the
Establishment of the International Trade Organiza-
tion

Certain of the provisions of the General Agreement on
Tariffs and Trade, for example, those incorporating
Article 24 of the Charter (Emergency Action on Imports
of Particular Products) and Article 35 of the Charter
Nullification or Impairment), will require for their
operation the existence of an agency, the latter would
be created. It is proposed, therefore, that the members of the
Preparatory Committee, which make effective the General
Agreement on Tariffs and Trade, should create a pro-
visional international agency for this purpose. This
provisional agency would go out of existence upon the
establishment of the International Trade Organization.

Section 2.—Relation of the General Agreement on Tariffs
and Trade to the International Trade Organization
after its Establishment

Interim Tariff Committee

1. The Charter as now formulated provides in Article
67 that the countries which make effective the General
Agreement on Tariffs and Trade shall constitute the
original members of the Interim Tariff Committee to be
set up within the International Trade Organization after
the International Conference on Trade and Employment
has met and the Organization has been established.

2. The Interim Tariff Committee will have the func-
tion of determining whether (with respect to any nego-
tiations subsequent to those culminating in the General
Agreement on Tariffs and Trade) any member of the
Organization has failed to live up to its obligations regard-
ing tariff negotiations and, under paragraph (a) of Article
24 of the Charter, of authorizing complaining members
to withhold tariff benefits from offending members. The
following points should be noted with regard to this
function:

(a) A member of the Organization may be admitted
to membership in the Committee when the member has
completed tariff negotiations “comparable in scope or
effect” to the negotiations already completed by the
original members of the Committee. Thus, what is
achieved by way of tariff action in the General Agree-
ment on Tariffs and Trade will become the standard to
which members of the Organization will be expected
to conform in order to obtain membership of the Interim
Tariff Committee. In applying this standard the
Committee should have regard to the provisions of the
Charter as a whole.

(b) Since it is agreed that the original members of the
Interim Tariff Committee will have taken adequate
steps toward fulfilment of the tariff obligations of the
Charter in respect of negotiations among themselves (see
Article III of the draft General Agreement on Tariffs
and Trade) it is proposed that the original member of the
Committee to withhold tariff concessions from another original member of the Com-
mittee would be subject to prejudice, of course, to any decisions reached, under the auspices of the
Organization, on the application of Article 24 to the negotiations among the members of the Committee.

(c) Members of the Interim Tariff Committee must,
in negotiations with members of the Organization which
are not members of the Committee, be prepared to
consider concessions on products of interest to the
latter which were not dealt with in the original
negotiations. Refusal to negotiate on such products
might warrant the imposition of the same limitations
as the Committee could in such cases authorize a member
of the Organization, which is not a member of the
Committee, to withhold tariff benefits from a member
of the Committee. However, the extent to which a
member of the Organization, which is not a member
of the Committee, might withhold tariff benefits from
a member of the Committee would be limited only to
tariff concessions which the former had already made
pursuant to Article 24 and general tariff penalties
could not be applied.

(d) The authority of the Committee would in all
cases be limited to granting permission to a member
of the Organization to withhold tariff benefits from
another member. In no event could the Committee
compel a member to withhold benefits.

Procedure for Broadening Membership in the Interim
Tariff Committee through Additional Tariff
Negotiations

1. Procedures must be developed for assuring, by
negotiation, action for the reduction to tariffs, the
elimination of preferences by members of the Organiza-
tion, which are not parties to the General Agreement
on Tariffs and Trade and hence would not be original
members of the Interim Tariff Committee. The following
alternative procedures are suggested for consideration:

(a) The original members of the Interim Tariff Com-
mittee would negotiate separate bilateral agreements
with members of the Organization, which are not mem-
bers of the Committee, the latter would negotiate
such agreements between themselves. The Committee
would judge as to when a particular country had com-
pleted enough such agreements to entitle it to member-
ship in the Committee.

(b) A member of the Organization, which is not an
original member of the Committee, might offer to nego-
tiate with the Committee a multilateral schedule of con-
cessions similar in scope and legal applications to the
schedules appended to the General Agreement on Tariffs
and Trade. Such a schedule should be completed
within six months after receipt of the offer and
should be signed by the member and the Committee
when completed and within six months after
receipt of the offer. In the event of any dispute between
the member and the Committee, the latter would
be entitled to refer the dispute to the Committee
for resolution.

Section K.—Tentative and Partial Draft Outline of General
Agreement on Tariffs and Trade

The governments in respect of which this Agreement is
signed:

Having been named by the Economic and Social Council
of the United Nations to prepare, for the consideration
of the International Conference on Trade and Employment,
a Charter for an International Trade Organization of the
United Nations;

Having, as the Preparatory Committee for the
Conference, recommended to the Conference the provisions
of such a Charter, the text of which is set forth in the
Report of the Preparatory Committee; and

Being desirous of furthering the objectives of the Con-
ference by providing a concrete and flexible structure
suitable to the needs of the time and capable of generalization to all countries on equitable
terms;

Have, through their respective Plenipotentiaries, agreed
as follows:

* It should be noted that the Organization, as distinct from the Committee, would authorize an original member of the Committee to withhold benefits from another original member of the Committee under certain other provisions of the Charter.
ARTICLE I

1. During the life of the Agreement each signatory government shall make effective in respect of each other signatory government the provisions described below of the Charter for an International Trade Organization of the United Nations recommended in the report of the Preparatory Committee.

There would follow a list of the articles to be included in the Agreement.

2. Functions entrusted to the proposed International Trade Organization under any of the provisions of the Charter incorporated in this Agreement by virtue of paragraph 1 of this Article shall, pending the establishment of the Organization, be carried out by a provisional international agency consisting of delegates appointed by the signatory governments.

ARTICLE II

With regard to Articles 24, 31 and 33 of the Charter, which relate to negotiations for

1. The reduction of tariffs and the elimination of tariff preferences and

2. Parallel action by state-trading enterprises, the signatory governments declare that they have, by virtue of Article III of this Agreement, taken this step towards fulfillment of the obligations of these Articles in respect of themselves and that they stand ready, in conformity with the spirit of these Articles, to undertake similar negotiations with such other governments as may desire to become members of the International Trade Organization.

ANNEXURE II

United States Draft Charter

FOREWORD

In December 1945 the Government of the United States published and transmitted to other governments for their consideration a document entitled Proposals for Expansion of World Trade and Employment.

These Proposals put forward the idea that there should be established an International Trade Organization of the United Nations, the members of which would agree to conduct their commercial relations in accordance with rules to be set forth in the Charter of the Organization. The Proposals contained suggestions for rules to govern trade barriers, restrictive business practices, intergovernmental commodity arrangements, and the international aspects of domestic employment policies and outlined a suggested structure for the International Trade Organization itself. The governments of several other countries have expressed their general agreement with these suggestions.

In February 1946 the Economic and Social Council of the United Nations, at its first meeting, adopted a resolution calling for an international conference on trade and employment to consider the creation of an International Trade Organization. It also established a Preparatory Committee of 19 countries to arrange for the conference and to prepare a draft Charter for such an Organization. The Preparatory Committee is to meet in London in the fall of 1946.

In preparation for the conference, the Government of the United States has prepared an elaboration of its Proposals in the form of a suggested Charter for the International Trade Organization. Copies of the suggested Charter have been transmitted to the Secretary-General of the United Nations and to the other governments named by the Economic and Social Council to serve on the Preparatory Committee.

The suggested Charter is the work of many persons of competence and experience in the departments and agencies of the United States Government. It is put forward, however, as a basis for discussion and not as a document expressing the fixed or final views of this Government. The draft should clarify possible obscurities and remove any misunderstandings to which the condensed language of the Proposals may have given rise.

W. L. CLAYTON,
Under Secretary of State for Economic Affairs.

CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment provisions</td>
</tr>
<tr>
<td>CHAPTER I. PURPOSES</td>
</tr>
<tr>
<td>Article 1. General purposes of the Organization</td>
</tr>
<tr>
<td>CHAPTER II. MEMBERSHIP</td>
</tr>
<tr>
<td>Article 2. Membership</td>
</tr>
<tr>
<td>CHAPTER III. EMPLOYMENT PROVISIONS</td>
</tr>
<tr>
<td>Article 3. Relation of employment to purposes of Organization</td>
</tr>
<tr>
<td>Article 4. General undertaking to promote full employment</td>
</tr>
<tr>
<td>Article 5. Avoidance of certain employment measures</td>
</tr>
<tr>
<td>Article 6. Consultation and exchange of information on matters relating to employment</td>
</tr>
<tr>
<td>Article 7. Assignment of functions to Economic and Social Council</td>
</tr>
</tbody>
</table>

ARTICLE III

Each signatory government shall accord to the commerce of the customs territories of the other signatory governments the treatment provided for in the appropriate Schedule annexed to this Agreement and made an integral part thereof.

ARTICLE IV

(This Article would set forth the general exceptions provided for in Article 37 of the Charter.)

ARTICLE V

(This Article would reproduce the provisions of Article 38 of the Charter relating to territorial application.)

ARTICLE VI

(This Article would permit revision of the Agreement, by agreement among the signatories, if necessary or desirable in order to take account of changes in the Charter as the United Nations proceeds beyond the initial Three-Year period.)

ARTICLE VII

(This Article would provide for the entry into force of this Agreement, its duration, and its termination. The Agreement would remain in force for three years. If not terminated at the end of the three-year period (which would require six months’ prior notice), it would remain in force thereafter, subject to termination on six months’ notice. There would be a number of purely technical and of purely legal provisions.)
SUGGESTED CHARTER FOR AN INTERNATIONAL TRADE ORGANIZATION OF THE UNITED NATIONS

ESTABLISHMENT
The International Trade Organization of the United Nations is hereby established and shall operate in accordance with the following provisions:

CHAPTER I.—PURPOSES

ARTICLE 1

General Purposes of the Organization
The purposes of the Organization shall be:

(1) To promote the solution of problems in the field of international commercial policies and relations through consultation and collaboration among Members.

(2) To enable Members to avoid recourse to measures destructive of world commerce by providing, on a reciprocal and mutually advantageous basis, expanding opportunities for their trade and economic development.

(3) To encourage and assist the industrial and general economic development of Member countries, particularly of those still in the early stages of industrial development.

(4) In general, to promote national and international action for the expansion of the production, exchange and consumption of goods, for the reduction of tariffs and other trade barriers, and for the elimination of all forms of discriminatory treatment in international commerce; thus contributing to an expanding world economy, to the establishment and maintenance of a high level of employment and real income, and to the creation of economic conditions conducive to the maintenance of world peace.

(5) To provide a centralized agency for the coordination of the work of Members to the above ends.

CHAPTER II.—MEMBERSHIP

ARTICLE 2

Membership

1. The original Members of the Organization shall be those countries represented at the United Nations Conference on Trade and Employment which accept the provisions of this Charter by 31st December, 1944, or, in the event that this Charter has not entered into force by that date, the countries which have agreed to bring this Charter into force pursuant to the proviso to paragraph 3 of Article 78.

2. Membership in the Organization shall be open to all other countries as accept the provisions of this Charter, subject to the approval of the Conference on recommendations of the Executive Board.

3. The Conference shall establish procedures that will open a membership in the Organization to the United Nations on behalf of the trust territories for which the United Nations is the administering authority.

CHAPTER III.—EMPLOYMENT PROVISIONS

ARTICLE 3

Relation of Employment to Purposes of Organization
The Members recognize that the establishment and maintenance of useful employment opportunities for those able, willing, and seeking to work are essential to the full realization of the purposes of the Organization. They also recognize that domestic programs to maintain or expand employment should be consistent with these purposes.
ARTICLE 4
General Undertaking to Promote Full Employment
Each Member shall take action designed to achieve and maintain full employment within its own jurisdiction through measures appropriate to its political and economic institutions.

ARTICLE 5
Avoidance of Certain Employment Measures
In seeking to maintain or expand employment, no Member shall adopt measures which would have the effect of creating unemployment through competition which is incompatible with undertakings designed to promote an expanding volume of international trade and investment.

ARTICLE 6
Consultation and Exchange of Information on Matters Relating to Employment
The Members agree that they will: (1) make arrangements for the collection, analysis, and exchange of information on employment problems; trends, and policies and for the submission at regular intervals of reports on the measures adopted to give effect to Article 4; (2) consult regularly on employment problems; and (3) hold special conferences in case of threat of widespread unemployment.

ARTICLE 7
Assignment of Functions to Economic and Social Council
In accordance with the Charter of the United Nations, the Economic and Social Council will be responsible for furthering the objectives of Chapter III and supervising the fulfillment of the obligations assumed under Article 6.

CHAPTER IV—GENERAL COMMERCIAL POLICY
Section 2.—General Commercial Provisions
ARTICLE 8
General Most-Favored-Nation Treatment
1. With respect to customs duties and charges of any kind, levied on imports, or on other transactions, on exportation or imposition on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation or exportation, and with respect to all matters relating to internal taxation or regulation referred to in Article 9, any advantage, favor, privilege or immunity granted by any Member country to any product originating in or destined for any other country, shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries.

2. The provisions of paragraph 1 of this Article shall not be construed to require the elimination of any preference in the rate of ordinary import customs duty which does not exceed the preference in force in any Member country on 1 July, 1939, and which falls within the descriptions set forth in (a) or (b), below, but such preference shall remain in effect until a new preference is adopted by the Member which grants such preference.

(a) Preferences in force exclusively between territories in respect of which there existed on 1 July, 1939, common sovereignty or relations of protection or suzerainty. Each Member to which this provision applies shall provide a list of such territories in respect of which preferences were in force on that date, which list shall be incorporated in an annex to this Charter.

(b) Preferences in force exclusively between the United States of America and the Republic of Cuba.

ARTICLE 9
National Treatment in Internal Taxation and Regulation
1. The products of any Member country imported into any other Member country shall be exempt from internal taxes and other internal charges higher than those imposed on like products of national origin, and shall be accorded treatment no less favorable than that accorded like products of national origin in respect of all internal laws, regulations or requirements affecting their sale, transportation or distribution or affecting their mixing, processing, exhibition or other use, including laws and regulations governing the procurement by governmental agencies of supplies or public use other than by way of the military establishment. The provisions of this paragraph shall be understood to preclude the application of internal regulations restricting the amount of the consumption of an imported product permitted to be mixed, processed, exhibited or used.

2. The Members recognize that the imposition of internal duties on the products of other Member countries, for the purpose of affording protection to the domestic production of competitive products, would be contrary to the spirit of this Article, and they agree to take such measures as may be open to them to prevent in the future the adoption of new or higher taxes of this kind within their territories.

ARTICLE 10
Freedom of Transit
1. There shall be freedom of transit through the Member countries via the routes most convenient for international transit for traffic in transit to or from other Member countries.

2. Any Member may require that transit traffic through its territory be hired at the proper customs house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other Member countries shall be exempt from the payment of any transit duty, customs duty, or similar charge, and shall not be subject to any unnecessary delays or restrictions.

3. All charges and regulations imposed by Members on traffic in transit to or from other Member countries shall be reasonable, having regard to the conditions of the traffic.

4. With respect to all charges, rules, and formalities in connection with transit, each Member shall accord to traffic in transit to or from any other Member country, treatment no less favorable than the treatment accorded to traffic in transit to or from any other country.

5. Each Member shall accord to products which have been in transit through its territory, treatment no less favorable than that which would have been accorded to such products had they been transported from their origin to their destination without going through such other Member country.

6. Persons, baggage and goods, and also vessels, coaching and goods stock, and other means of transport, shall be deemed to be in transit across the territory of a Member when the passage across such territory, with or without transshipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey, beginning and terminating beyond the frontier of the Member across whose territory the transit takes place. Traffic of this nature is termed in this Article "traffic in transit."

ARTICLE 11
Antidumping and Countervailing Duties
1. No antidumping duty shall be imposed on any product of any Member country imported into any other Member country in excess of an amount equal to the margin of dumping under which such product is being imported. For the purposes of this Article, the margin of dumping shall be understood to mean the amount by which the price paid for imported products from one country to another is less than (c) the comparable price charged for the like or similar product to buyers in the domestic market of the exporting country, or, (b) in the absence of such domestic price, the highest comparable price at which the like or similar product is sold for export in any third country, or, (c) in the absence of (a) and (b), in the absence of a comparable price, the cost of production of the product in the country of origin, with due allowance in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. No countervailing duty shall be imposed on any product of any Member country imported into any other Member country in excess of an amount equal to the estimated bounty or subsidy accorded to that product when granted, directly or indirectly, on the production or export of such product in the country of origin or exportation.

3. No product of any Member country imported into any other Member country shall be subject to dumping or countervailing duty by reason of the exemption of such product from duties or taxes imposed in the country of origin or exportation upon the like product when consumed domestically.
4. No product of any Member country imported into any other Member country shall be subject to both antidumping and countervailing duty to compensate for the same situation of dumping or export subsidization.

5. Each Member undertakes that as a general rule it will not impose any antidumping duty or countervailing duty on the importation of any product of other Member countries unless it determines that the dumping or subsidization, as the case may be, under which such product is imported, is such as to injure or threaten to injure a domestic industry, or is such as to prevent the establishment of a domestic industry.

ARTICLE 12
Tariff Valuation

1. Members undertake to work toward the standardization, in so far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other restrictions based upon or regulated in any manner by value. With a view to furthering such cooperation, the Organization is authorized to investigate and recommend to Members such bases and methods for determining the value of products as would appear to be best suited to the needs of commerce and most capable of widespread adoption.

2. The Members recognize the validity of the following general principles of tariff valuation, and they undertake to give effect to such principles, in respect of all products subject to duty based upon or regulated by value, at the earliest practicable date:
   (a) The value for duty purposes of imported products should be based on the actual value of the kind of imported merchandise on which duty is assessed, or the nearest ascertainable equivalent of such value, and should not be based on the value of products of national origin or on arbitrary or fictitious valuations.
   (b) The value for duty purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been made exempt.
   (c) In converting the value of any imported product from one currency to another, for the purpose of assessing duty, the rate of exchange to be used should be fixed in accordance with prescribed standards to reflect effectively the current value of each currency in commercial transactions, and until the elimination of dual- or multiple rates of exchange either one or more than one rate for each dual- or multiple-rate currency may be so fixed.
   (d) The bases and methods for determining the value of products subject to duties regulated by value should be stable and should be published in full detail, in order that traders may be enabled to estimate, with a reasonable degree of certainty, the amount of duty likely to be imposed.

ARTICLE 13
Customs Formalities

1. The Members recognize the principle that subsidiary fees and charges imposed or in connection with importation or exportation should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a tax on exports or imports for fiscal purposes. They also recognize the need for reducing the number and diversity of such subsidiary fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. Members undertake to review their customs laws and regulations with a view to giving effect to the principles and objectives of paragraph 1 of this Article at the earliest practicable date and shall report to the Organization from time to time on the progress made. The Organization is authorized to request such reports of Members and to assist and cooperate with them in carrying out the provisions of this paragraph.

3. Greater than nominal penalties shall not be imposed by any Member in connection with the importation of any product of any other Member country, whether or not the same is subject to a rate of duty, tax or other charge, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments for the same, or to affecting their sale or distribution, or affecting their warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable traders and governments to become acquainted with them. Agreements in force between the governments of any Member country and the government of a governmental agency of any Member country and the government of a governmental agency of any other country, affecting international trade policy shall also be published.

4. The provisions of this Article shall extend to fees, charges, formalities and requirements relating to all customs matters, including:
   (a) Conveyance taxes;
   (b) Quantitative restrictions;
   (c) Licensing;
   (d) Exchanges regulations;
   (e) Statistical services;
   (f) Documents, documentation and certification;
   (g) Analysis and inspection; and
   (h) Quarantine, sanitation and fumigation (plant animal and human).

ARTICLE 14
Marks of Origin

1. The Members agree that in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each Member shall accord to the products of each other Member country treatment with regard to marking requirements no less favorable than the treatment accorded like products of any third country.

3. Whenever administratively possible, Members shall permit required marks of origin to be imposed at the time of importation.

4. The laws and regulations of the Members relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.

5. Members shall exempt from their marking requirements the following products:
   (a) Products incapable of being marked;
   (b) Products which cannot be marked except at unreasonable expense;
   (c) Products in transit and their containers;
   (d) Products in bond and their containers;
   (e) Samples and products without commercial value and their containers;
   (f) Containers of properly marked products of a type not ordinarily imported and sold at retail in sealed containers;
   (g) Products of a type ordinarily imported and sold at retail in sealed containers, provided such containers are properly marked;
   (h) Products over 20 years old and their containers;
   (i) Products intended for the personal use of the importer or his family or for use in his factory or place of business, and not intended for sale, and the containers of such products;
   (j) Crude substances and raw materials; and also the containers of such products if the products are intended for use by the person for whom the importation is made, or for his account in manufacturing new and different products.

6. No special duty or penalty shall be imposed by any Member for failure to comply with the marking requirements prior to importation unless corrective marking has been unreasonably delayed or false marks have been intentionally affixed or the required marking has been intentionally omitted.

ARTICLE 15
Publication and Administration of Trade Regulations—Advance Notice of Restrictive Regulations

1. Laws, regulations, decisions, judicial authorities and administrative rulings of general application made effective by any Member, pertaining to the classification or valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale or distribution, or affecting their warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable traders to become acquainted with them. Agreements in force between the government of any Member country and the government of a governmental agency of any Member country and the government of a governmental agency of any other country, affecting international trade policy shall also be published. Copies of such laws, regulations, decisions, rulings and
agreements shall be communicated promptly to the Organization. This paragraph shall not require any Member to publish administrative rulings which would disclose confidential information, impede law enforcement, or otherwise be inimical to the public interest.

2. Members shall administer in a uniform, impartial and reasonable manner all laws, regulations, decisions and rulings of the kind described in paragraph 1 of this Article. Moreover, they undertake to maintain, or to establish as soon as practicable, for the review and correction of administrative action relating to customs matters, judicial or administrative tribunals which are in fact independent of the agencies entrusted with administrative enforcement. Finally, each Member will enforce all measures necessary to suppress and prevent the execution of charges and the prescription of requirements in respect of international trade which are not provided for in its published laws or regulations.

3. No law, regulation, decision or ruling of any Member effecting an advance in a rate of import or export duty or other charge under an established and uniform practice, or imposing a new or more burdensome requirement, restriction or prohibition on imports or exports or on the transfer of payments therefor, shall, as a general rule, be applied to products of any other Member already on the international market at the time the publication thereof is in accordance with paragraph 1 of this Article. Provided, that if any Member customarily exempts from such new or increased obligations products entering or withdrawn from warehouse for consumption, or cleared for export, during a period of thirty days after the date of such publication, such practice shall be considered full compliance with this paragraph. The provisions of this paragraph shall not apply to antidumping or countervailing duties.

ARTICLE 16
Information, Statistics and Trade Terminology

1. Members agree to make available promptly to the Organization, in as detailed and accurate a manner as practicable, such statistics relating to their foreign trade as the Organization deems necessary in connection with the fulfillment of its functions, including as the minimum essential to the effective discharge of its duties data on the following subjects:

(a) Exports and imports of merchandise, distinguishing in so far as possible the movement of transit trade, and taking into account the desirability of uniformity in international trade.

(b) Governmental revenue from import and export duties and from other taxes imposed on products moving in international trade, and subsidy payments affecting such trade.

2. Statistics of exports and imports of merchandise furnished to the Organization shall so far as practicable be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based upon or regulated in any manner by the rate or value, or by amounts of exchange made available.

3. Members agree to make available to the Organization, in as detailed and accurate a manner as practicable, such statistics on other economic subjects as the Organization deems necessary in connection with the fulfillment of its functions, and in particular statistics relating to balances of payments and prices, so far as the statistics are not being furnished to any other international organization having functions to which the statistics are more particularly related and from which the Organization can obtain the required information.

4. The Organization shall act as a clearinghouse for the collection and exchange of statistical and other information relating to international trade, thus facilitating the preparation of studies designed to assist Members in developing policies which further the purposes of this Charter. The Organization shall make such data available to the Economic and Social Council of the United Nations and to other interested international organizations and shall, in cooperation with the United Nations, seek to bring about improvements in the methods of collecting, analyzing and publishing economic statistics, particularly those relating to international trade, and to promote the international comparability of such statistics, including the international adoption of standard commodity classifications.

The Organization shall also, in cooperation with such other organizations, compile and publish summary comparative statistics relating to the subjects specified in paragraph 1 of this Article.

5. Members agree to publish the statistics referred to in paragraph 1 of this Article promptly and in as much detail as practicable and to cooperate with the Organization in disseminating information described in paragraph 1 of this Article.

6. Members undertake to cooperate with the Organization in promoting the international adoption of standard definitions used in commercial practice, and in developing standards to which goods may be manufactured or graded. Members undertake to cooperate in introducing such standards as are found to be desirable and practicable to encourage the freer movement of goods in international trade.

The Organization, in cooperation with the other organizations referred to in paragraph 4 of this Article, may adopt standards, nomenclature, terms and forms to be used in official documents and statistics of Members in the field of international trade. Such standards, nomenclature, terms or forms shall automatically become effective as to all Members of the Organization after notice has been given of their adoption by the Organization, except for such Members as may notify the Director General of rejection or reservations within the period stated in the notice, which period shall not be less than six months.

ARTICLE 17
Boycotts

No Member shall encourage, support or participate in boycotts or other campaigns which are directed to discourage, directly or indirectly, the consumption within its territory of products of other Member countries on grounds of origin, or the sale of products for consumption within other Member countries on grounds of destination. Moreover, each Member shall discourage, by such means as may be available to it, such campaigns by political entities within its jurisdiction.

Section B.—Tariffs and Tariff Preferences

ARTICLE 18
Reduction of Tariffs and Elimination of Preferences

1. Each Member, in agreement with the provisions of Article 28, shall, upon the request of any other Member or Members, enter into reciprocal and mutually advantageous negotiations for the reduction of tariffs or of margins of protection afforded by state trading or for the elimination of import tariff preferences. These negotiations shall proceed in accordance with the following rules:

(a) Prior international commitments shall not be permitted to stand in the way of action with respect to tariff preferences.

(b) All negotiated reductions in most-favored-nation import tariffs shall operate automatically to reduce or eliminate margins of preference, so that, in respect of any product on which the most-favored-nation rate of duty is reduced or bound against increase pursuant to the negotiations, the margin of preference which may apply to such product may not exceed the margin by which the most-favored-nation rate, as reduced or bound against increase, exceeds the preferential rate in force on 2 July, 1939.

2. Each Member participating in negotiations pursuant to paragraph 1 of this Article shall keep the Organization informed of the progress thereof and shall transmit to the Organization a copy of any agreement or agreements incorporating the results of such negotiations.

3. If any Member considers that any other Member has failed, within a reasonable period of time, to fulfill its obligations under paragraph 1 of this Article, such Member may refer the matter to the Organization, which shall investigate the matter and make appropriate recommendations to the Members concerned. The Organization, if it finds that a Member has, without sufficient justification, failed to negotiate with such complaining Member as required by paragraph 1 of this Article, may determine that the complaining Member, or in exceptional cases the Members of the Organization generally, shall, notwithstanding the provisions of Article 8, be entitled to withhold from the trade of the Member, or Members, in respect of which the complaining Member, or the Members of the Organization generally, as the case may be, may have negotiated pursuant to paragraph 1 of this Article, and if such reductions are in fact withheld, such other Member shall then be entitled to withdraw the obligation, or shall, after such action is taken, to withdraw from the Organization on sixty days' written notice to the Organization. The provisions of this paragraph shall operate in accordance with the provisions of Article 56.
Section C.—Quantitative Restrictions

ARTICLE 19
General Elimination of Quantitative Restrictions

1. Except as otherwise provided elsewhere in this Chapter,* no prohibition or restriction other than duties, taxes or other charges, whether made effective through quotas, licenses or other measures, shall be imposed or maintained by any Member country on the importation of any product of any other Member country, or on the exportation, or sale for export, of any product destined for any other Member country.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

(a) Prohibitions or restrictions on imports or exports, imposed or maintained during the early post-war transitional period, which are essential to (i) the equitable distribution among the several consuming countries of products in short supply, whether such products are owned by private interests or by the government of any Member country or (ii) the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member country: Provided, That restrictions under (i) of this subparagraph may be imposed by any Member country after a balance of other interested Members with a view to appropriate international action. Import and export prohibitions and restrictions imposed or maintained under this subparagraph shall be removed as soon as the conditions to which they are attributed to a temporary nature cease to exist and, in any event, not later than 1 July, 1949: Provided, That this period may, in extraordinary and abnormal circumstances, and with the concurrence of the Organization, be extended in respect of any product for further periods not to exceed six months each.

(b) Export as of (a) above of restrictions temporarily imposed to relieve conditions of distress which are local to the exporting country and which are caused by severe shortages of foodstuffs or other essential products.

(c) Import and export prohibitions or restrictions necessary to the application of standards for the classification and grading of commodities in international commerce.

(d) Export or import quotas imposed under international commodity agreements concluded in accordance with the provisions of Chapter VI.

(e) Import restrictions on any agricultural product, imported in any form, necessary to the enforcement of governmental measures which operate (i) to restrict the quantities of the like domestic product permitted to be imported, or (ii) to remove a temporary surplus of the like domestic product by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level. Any Member imposing restrictions on the importation of any product pursuant to this subparagraph shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantities or values. Moreover, any restrictions imposed under (i) of this subparagraph shall be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion between the two prevailing during a previous representative period, account being taken in so far as practicable of any special factors which may have affected or may be affecting the trade in the product concerned.

ARTICLE 20
Restrictions to Restore Equilibrium in the Balance of Payments

1. Notwithstanding the provisions of Article 19, any Member country entered with an adverse balance of international payments may, as an aid to the restoration of equilibrium therein, impose or maintain restrictions on the quantity or value of merchandise permitted to be imported.

The imposition or maintenance of restrictions under this paragraph shall conform to the conditions and requirements set forth in paragraphs 2 or 3 of this Article, as the case may be.

2. Any Member which considers such action necessary to restore equilibrium in its balance of international payments shall be entitled to impose or maintain quantitative import restrictions under paragraph 1 of this Article until 31 December, 1949: Provided, That any Member availing itself of the privileges of this paragraph shall consult, through the Organization, with the other Members, and shall submit with a view to assuring that the effects of such restrictions on their commercial interests are minimized to the extent possible compatible with the safeguarding of the balance of payments of the Member imposing the restrictions. Any Member may propose such restrictions on 31 December, 1949, shall complete arrangements so that no such restrictions shall remain in force or after the expiration of six months from that date.

3. Notwithstanding the provisions of paragraph 2 of this Article, any Article shall be entitled to impose balance-of-payments restrictions, whether during or at the transitional period provided for in paragraph 2 of this Article, subject to the following conditions:

(a) No Member shall impose such restrictions under this paragraph unless such action is necessary (i) to arrest a long continuing or large deficit in the Member’s balance of payments, or (ii) in the case of a Member with very low monetary reserves, to forestall a large deficit in the Member’s balance of payments. Such restrictions under (i) shall be progressively relaxed with the reduction of the deficit to a level below 50 per cent of its initial amount, and shall be completely removed with the attainment of the following: (a) of a current account surplus, the effects or surplus in a Member’s balance of payments shall be understood to mean its deficit or surplus on current account, as defined in Article XIX of the Articles of Agreement of the International Monetary Fund. A Members monetary reserves shall be understood to mean its reserves as defined in Article XIX of the Articles of Agreement of the International Monetary Fund.

(b) Any Member imposing new restrictions, or continuing beyond the transitional period restrictions imposed pursuant to paragraph 2 of this Article, shall enter into consultation with the Organization within thirty days after the imposition of new restrictions, or after the expiration of the transitional period, and shall be entitled to bring the matter before the Organisation for discussion, and the Member imposing the restrictions shall undertake in these circumstances to enter into discussions with a view to a mutually satisfactory settlement of the matter. The Organisation, or any Member which has indicated to the Organisation that such restrictions are not in harmony with the principles set forth in this paragraph and in the event appropriate action is not taken within thirty days after such determination, any Member which considers that such restrictions have impaired its commercial relations with the Member imposing the restrictions shall be free, within thirty days after the date of such determination, to suspend on sixty days’ written notice to the Organization the application to the trade of such Member of any of the obligations or concessions under this Chapter the suspension of which the Organization does not recommend against.

4. Restrictions maintained or imposed under this Article by any Member shall be so administered as to avoid unnecessary discrimination to the trade of other Members having an interest in the exportation of particular products. To this end the Member maintaining such restrictions shall apply them to all important producers in a manner as nearly uniform as practicable and shall in no event apply them in such a manner as would prevent the continuous importation in minimum commercial quantities of any product (a) if imports of the product are supplied principally by one or more Member countries, or (b) if imports of the product are necessary to the maintenance of the economy of any other Member engaged in exporting the product to the Member maintaining or imposing such restrictions.
ARTICLE 21

Nondiscriminatory Administration of Quantitative Restrictions

1. No prohibition or restriction shall be imposed by any Member pursuant to this Section on the importation of any product of any other Member, or on the exportation of any product destined for any other Member, unless the importation of the like product of all third countries, or the exportation of the like product to all third countries, respectively, is similarly prohibited or restricted. In order to facilitate observation of the operation of the provisions of this paragraph in so far as they relate to import restrictions, Members undertake that in the application of such restrictions they shall employ the use of quotas, and will avoid the use of licensing or other non-quota methods of restriction, to the fullest practicable extent.

2. In the case of import restrictions imposed in the form of quotas, the Member imposing such restrictions shall give public notice of the total quantity or value of the product or products permitted to be imported during a specified future period, and of any change in such quantity or value. If any Member imposing such quotas allocates a share of the total quantity or value to any other country, it shall, so far as practicable, inform the other Member countries having an important interest in the trade in the product with respect to which an allotment has been made, shares based upon the proportions of the total quantity or value supplied by such Member countries during a previous representative period, account being taken in so far as practicable of any special factors which may have affected or which may be affecting the trade in that product. No conditions or formalities shall be imposed which would prevent any Member country from fully utilizing the share of any such total quantity or value which has been allotted to it. The provisions of this paragraph shall also apply to any tariff quotas established or maintained by any Member.

3. In the case of import restrictions for which quota determinations have not been made, the Member imposing the restriction shall provide, upon the request of any other Member having an interest in the trade in the product concerned, all relevant information as to the administration of the restriction, including information as to the import licenses granted over a past recent period and the distribution of such licenses. Restrictions under this paragraph shall in no event be applied by sources of supply and no import license or permit utilized in connection with such restrictions shall require or provide that the license or permit be utilized for the importation of the product coming from a particular country.

4. With regard to restrictions imposed in accordance with paragraph 2 of this Article or under paragraph 2(a) of Article 19, the selection of a representative period for applying any new or the reappraisal of any special factors affecting the trade in the product shall be made initially by the Member imposing the restriction; Provided, That such Member shall, upon the request of any other Member having an important interest in the trade in that product, or upon the request of the Organization, consult promptly with the other Member or with the Organization regarding the need for an adjustment of the base period selected or for the reappraisal of the special factors involved.

ARTICLE 22

Exceptions From Rule of Nondiscrimination

1. Members which are members of the International Monetary Fund shall not be precluded by this Section from applying quantitative import restrictions (a) having equivalent effect to any exchange restrictions which the Member is authorized to impose in conformity with Article VII of the Articles of Agreement of the International Monetary Fund, or (b) essential to the maintenance, under Article XX, Section 4(a) of that Agreement, of the common par value of the currencies of territories having a common quota in the Fund.

2. The provisions of paragraphs 1, 2 and 3 of Article 21 shall not apply to (a) in cases in which their application would have the effect of preventing the Member imposing the restrictions referred to in those paragraphs from utilizing, for the purchase of goods or imperfectly convertible currencies accumulated up to 31 December, 1948, which are inconvertible at the time of their use, or (b) to prohibitions or restrictions imposed under subparagraphs (a) (b) or (c) of Article 19.

ARTICLE 23

Elimination of Exchange Restrictions in Relation to Current Commodity Transactions

1. In order to avoid the imposition of trade restrictions on any merchandise product arising from the fact that Members agree that they will impose no restrictions on the making of payments and transfers for such current international transactions as consist of payments due in connection with the importation of any product: Provided, If this obligation shall not prevent any Member from imposing such restrictions on transactions with non-Member unless the organization finds that such restriction prejudices the interest of other Members.

2. The obligations of paragraph 1 of this Article shall not prevent any Member which is a member of the International Monetary Fund from imposing restrictions in conformity with the Articles of Agreement of the International Monetary Fund: Provided, That no Member of the Organization shall invoke or continue to invoke the provisions of Article XIV, Section 2, of the Articles of Agreement of the International Monetary Fund for the purpose of imposing restrictions on the making of payments and transfers in connection with the importation of any product of any other Member, except such exchange restrictions as are consistent and correspond to quantitative restrictions authorized by, and meeting the requirements set forth in Paragraph 1 of this Section, and provided further, That the provisions of this paragraph shall not be construed to authorize any Member of the Organization to make or to the Organization or with any other Member by virtue of Article XII, Section 2, of the Articles of Agreement of the International Monetary Fund.

3. The Organization shall respect the authority and jurisdiction in respect of exchange matters assigned to the International Monetary Fund by the Articles of Agreement of the International Monetary Fund and it shall be the function of the Fund to cooperate with the Fund to the end that the Fund and the Organization may pursue a common policy with regard to exchange questions within the competence of the Fund and questions of quantitative restrictions or other trade measures within the competence of the Organization.

4. This Article shall become effective upon the expiration of six months from the day on which this Charter enters into force.

ARTICLE 24

Nondiscriminatory Administration of Exchange Restrictions

Members maintaining or establishing exchange restrictions shall accord to the trade of other Members the equality of treatment with respect to all aspects of such restrictions required of members of the Fund under the provisions of the Articles of Agreement of the International Monetary Fund, or, in cases in which the approval of the Fund is required, the equality of treatment prescribed by the Fund after consultation with the Organization.

Section E.—Subsidies

ARTICLE 25

General Undertaking Regarding Subsidies—Elimination of Export Subsidies—Exceptions

1. Except as provided in paragraphs 2 and 3 of this Article, if any Member establishes or maintains a subsidy, including any form of income or price support, to the domestic producers of any product, which operates to increase the exports of such product from, or to reduce the imports of such product into, the territory of the Member, such Member shall notify the Organization in writing as to the extent and nature of the subsidization, as to the anticipated effect of the subsidization on the quantity of the product imported into and exported from the territory of the Member, and as to the conditions making the subsidization necessary. In any case in which it is determined that serious injury to the trade of any Member is caused or threatened by the operation of any such subsidization, the Member granting such subsidization shall undertake to discuss with the other Members concerned, or with the Organization, the possibility of limiting the subsidization.
2. Except as provided in paragraph 3 of this Article, no Member shall grant, directly or indirectly, any subsidy on the exportation of any product, or establish or maintain any other system which results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability. The preceding sentence shall not be construed to prevent any Member from exempting exported products from duties or taxes imposed in respect of like products when consumed domestically or from reselling such duties or taxes which have accrued. Members shall give effect to the provisions of this paragraph at the earliest practicable date, but in any event not later than three years from the date on which this Charter enters into force. If any Member considers itself unable to make the provisions of this paragraph effective in respect of any specified product or products upon the expiration of such period, such Member shall, at least three months before the expiration of such period, give notice to the Organization a notice in writing to that effect, accompanied by an explanatory statement and an indication as to the extension of the period desired. It shall then be determined whether such period should be extended for the Member desiring an extension in respect of the product or products specified.

3. (a) If in any case in which it is determined that a specified product is, or is likely to become, in burdensome world surplus, the Members which are substantially interested in the production, trade or consumption of such product shall, upon the invitation of the Organization or of any such Member, agree with each other with a view to the adoption of measures to increase consumption and to reduce production through the diversion of resources from the production, or with a view to seeking, if necessary, the conclusion of an intergovernmental commodity agreement in accordance with the provisions of Chapter VI of this Charter.

(b) If it is determined that the measures provided for in subparagraph (d) of this paragraph have not succeeded, or do not promise to succeed, within a specified period of time, in removing, or preventing the development of, a burdensome world surplus of the product concerned, the requirements of paragraphs 1 and 2 of this Article shall cease to apply in respect of such product as of the effective date of termination and shall not be reapplied in respect of such product until a date determined in accordance with procedures approved by the Organization.

4. (a) Subject to paragraphs (b) and (d) of this Article, no Member shall grant any subsidy on the exportation of any product which has the effect of acquiring, or that Member's share of world trade in that product in excess of the share which it had during a previous representative period, account being taken in as far as practicable of any special factors which may have affected or may be affecting the trade in that product. The selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member granting any such subsidy. That such Member shall, upon the request of any other Member having an important interest in the trade in that product, or upon the request of the Committee for the purpose of determining, with the other Member or with the Organization regarding the need for an adjustment and the date of the case period adopted or for the reappraisal of the special factors involved.

5. Any determination required or appropriate to the operation of this Article shall be made under procedures established by the Organization in accordance with paragraph 6 of Article 55.

Section F.—State Trading

ARTICLE 26

Non-discriminatory Administration of State-Trading Enterprises

1. If any Member establishes or maintains a state enterprise, wherever located, which imports, exports, purchases, sells, distributes or produces any product or service, or if any Member grants exclusive or special privileges, formally or in effect, to any enterprise to import, export, purchase, sell, distribute or produce any products or services, the Member shall, upon the request of any other Member having a substantial interest in such trade, furnish to such other Member all information available to it concerning the nature and extent of such special privileges.

ARTICLE 27

Expansion of Trade by State Monopolies of Individual Products

If any Member other than a Member subject to the provisions of Article 28 establishes, maintains or operates any State monopolies to ensure the earning of foreign exchange or for any other purpose, the Members shall, upon the request of any other Member having an important interest in such trade, furnish to such other Member all information available to it concerning the nature and extent of such special privileges.

ARTICLE 28

Expansion of Trade by Complete State Monopolies of Import Trade

Any Member establishing or maintaining a complete or substantially complete monopoly of its import trade shall promote the expansion of its trade with the other Members in consonance with the purposes of this Charter. To this end such Member shall, upon the request of any other Member having a substantial interest in such trade, furnish to such other Member all information available to it concerning the measures taken by it to promote such expansion, and shall, in cases of special interest, furnish to such other Member all information available to it concerning the nature and extent of such special privileges.

ARTICLE 29

Emergency Action on Imports or Particular Products

1. If, as a result of unforeseen developments and of the effect of the obligations incurred under this Charter, including the tariff concessions granted pursuant to Article 19, any product is being imported into the territory of any Member in such increased quantities and under such conditions as to cause injury to producers of like or similar products, the Member shall be free to withdraw the concession, or suspend the obligation, in respect of such products or in part, or to modify the concession to the extent and for such time as may be necessary to prevent such injury.
2. Before any Member shall take action pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the Organization as far in advance as may be practicable and shall afford the Organization, and the other Members having a substantial interest as exporters of the product concerned, an opportunity to consult with it in respect of the proposed action. If agreement among the interested Members with respect to the proposed action is not reached, the Member which proposes to take the action shall, nevertheless, be free to do so, and if such action is taken the other affected Members shall then be free, within sixty days after such action is taken, to suspend on sixty days' written notice to the Organization the application to the trade of the Member taking such action, of any of the obligations or concessions under this Chapter the suspension of which the Organization does not recommend against.

**ARTICLE 30**

**Consultation—Nullification or Impairment**

Each Member will accord sympathetic consideration to and will afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of customs regulations, quantitative and exchange regulations, state-trading operations, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally all matters affecting the operation of this Chapter. Moreover, if any Member should consider that any measure adopted by any other Member, whether or not it conflicts with the terms of this Chapter, has the effect of nullifying or impairing any object of this Chapter, such other Member shall give sympathetic consideration to such written representations or proposals as may be made with a view to effecting a mutually satisfactory adjustment of the matter. If no such adjustment can be effected, either Member shall be free to refer the matter to the Organization, which shall investigate the matter and make appropriate recommendations to the Members concerned. The Organization, if it considers the case serious enough to justify such action, may determine that the complaining Member is entitled to suspend the application to the other Member of specified obligations or concessions under this Chapter, and if such obligations or concessions are in fact suspended, such other Member shall then be free, within sixty days after such action is taken, to withdraw from the Organization on sixty days' written notice to the Organization.

**Section H.—Relations with Non-Members**

**Contractual Relations with Non-Members—Treatment of Trade of Non-Members**

1. No Member shall seek exclusive or preferential advantages for its trade in the territory of any non-Member which would result, directly or indirectly, in discrimination in that territory against the trade of any other Member.

2. No Member shall as a party to any agreement or other arrangement with any non-Member under which such non-Member shall be contractually entitled to any of the benefits under this Charter.

3. With regard to countries which, although eligible for membership, have not become Members or have withdrawn from the Organization, no Member shall, except with the concurrence of the Organization, apply to the trade of such countries the tariff reductions effected by such Member pursuant to Article 18. This paragraph shall not apply to the effective expiration of one year from the date on which the Organization is established; Provided, That this period may be extended by the Organization for further periods not to exceed six months each.

4. Members undertake to review any international obligations they may have which would prevent them from giving full effect to paragraphs 1 and 2 of this Article and, if necessary for that purpose, to terminate such obligations either by agreement or in accordance with their terms.

**Section I.—General Exceptions**

**ARTICLE 32**

**General Exceptions to Chapter IV**

Nothing in Chapter IV of this Charter shall be construed to prevent the adoption or enforcement by any Member of any measures (a) necessary to protect public morals (b) necessary to protect human, animal or plant life or health; (c) relating to insidious materials; (d) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on for the purpose of supplying a military establishment; (e) in time of war or other emergency in international relations, relating to the protection of the essential security interests of a Member; (f) relating to the importation or exportation of goods or silver; (g) necessary to induce compliance with laws or regulations which are not inconsistent with the provisions of Chapter IV, such as those relating to customs enforcement, deceptive practices, and the protection of patents, trade-marks and copyrights; (h) relating to prison-made goods; (i) imposed for the protection of national treasures of artistic, historic or archaeological value; (j) relating to the conservation of exhaustible natural resources if such measures are taken pursuant to international agreements or are made effective in conjunction with restrictions on domestic production or consumption; (k) undertaken in pursuance of obligations under the United Nations Charter for the maintenance or restoration of international peace and security; or (l) imposed in accordance with a determination or recommendation of the Organization formulated under paragraphs 2, 6 or 7 of Article 55.

**Section J.—Territorial Application**

**ARTICLE 33**

**Territorial Application of Chapter IV—Customs Unions—Frontier Traffic**

1. The provisions of Chapter IV shall apply to the customs territories of any Member, of there are two or more customs territories under the jurisdiction of any Member, such customs territories shall be considered as a separate Member country for the purpose of interpreting the provisions of Chapter IV.

2. The provisions of Chapter IV shall not be construed to prevent

(e) advantages accorded by any Member country to adjacent countries in order to facilitate frontier traffic of

(f) the union for customs purposes of any customs territory of any Member country and any other customs territory: Provided, That the duties and other regulations of commerce imposed by any such union in respect of trade with other Member countries shall not on the whole be higher or more stringent than the average level of the duties and regulations of commerce applied in the constituent territories prior to the formation of such union.

3. Any Member proposing to enter into any union described in paragraph 2 (f) of this Article shall consult with the Organization and shall make available to the Organization such information regarding the proposed union as will enable the Organization to make such reports and recommendations to Members as it may deem appropriate.

4. For the purposes of this Article a customs territory shall be understood to mean any area within which separate tariffs or other regulations of commerce are maintained with respect to a substantial part of the trade of such area. A union of customs territories for customs purposes shall be understood to mean the establishment of a single customs territory for two or more customs territories, so that all tariffs and other restrictive regulations of commerce as between the territories of members of the union are substantially eliminated and the same tariffs and other restrictive regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union.

**CHAPTER V.—RESTRICTIVE BUSINESS PRACTICES**

**ARTICLE 34**

**Policy Toward Restrictive Business Practices**

1. Members agree to take appropriate individual and collective measures to prevent business practices among
commercial enterprises which restrain competition, restrict access to markets or foreclose monopolistic control in international trade, and which thus have the effect of hampering the purpose of the Organization to promote expansion of production and trade and the maintenance in all countries of high levels of real income. The term "commercial enterprises" as used in this Chapter shall mean all persons and entities conducting business, including such entities in which there is a government interest as well as agencies of government conducting trade.

2. Without limiting the generality of paragraph 1, Members agree that among the practices which shall be presumed, unless shown to the contrary in a specific case, to have the effect specified in that paragraph are combinations, agreements or other arrangements which

(a) fix prices or terms or conditions to be observed in dealing with others in the purchase or sale of any product or service;

(b) exclude enterprises from any territorial "market" or field of business activity, allocate or divide any such market or field of business activity, allocate customers, or fix sales or purchase quotas, except as such arrangements are only a part of regular marketing arrangements between a particular enterprise and its distributors with respect to its own products and are not designed to reduce competition between that enterprise and its competitors;

(c) boycott or discriminate against particular enterprises;

(d) limit production or fix production quotas;

(e) suppress technology or invention, whether patented or unpatented;

(f) extend the use of rights under patents, trademarks or copyrights to matters not properly within the scope, or to products or services which are not the immediate subjects of the authorized grant.

ARTICLE 36

Procedure With Respect to Complaints

In order to implement Article 34, the Organization shall:

(a) Receive and consider written complaints from any Member that a particular practice or group of practices has the effect described in paragraph 1 of Article 34. 

(b) Receive and consider similar complaints from persons or business entities or organizations representing persons or business entities or organizations. That if any Member has established procedures for the filing of complaints by persons, business entities or organizations under its jurisdiction, such complaints shall have been disposed of by such procedures.

(c) Prescribe minimum information to be included in complaints received under paragraphs 1 and 2 of this Article; notify Members of complaints received; and in its discretion call upon the complainant or any Member to provide further information relevant to such complaints.

(d) When it deems that a complaint deserves further examination, have pertinent testimony and request other data, conduct appropriate hearings, review all information and determine whether the questioned practice or group of practices has the effect described in paragraph 1 of Article 34.

(e) When it finds that a particular practice or group of practices exists and has the effect described in paragraph 1 of Article 34. make recommendations to the Members concerned for appropriate remedial measures, including but not limited to abrogation and termination of agreements and arrangements, dissolutions, reconstructions, business diversifications, and licensing of patents, to be implemented in accordance with their respective laws and procedures.

(f) Request reports from Members as to their actions in implementing its recommendations.

(g) Prepare and publish reports concerning complaints, findings, recommendations, and actions taken on such recommendations.

(h) Arrange special consultative conferences among particular Members relative to particular complaints, and to receive recommendations, and to publish such recommendations.

(i) Assist in arranging consultations, as requested by Members, in accordance with Article 37, and participate in such consultations.

ARTICLE 37

Obligations of Members

In order to implement the preceding Articles in this Chapter, each Member undertakes to:

1. Transmit to the Organization, upon its request and as promptly as possible, information called for by the Organization pursuant to paragraph 3 of Article 35 and such other information as the Member may deem pertinent. To this end, each Member shall carry on such investigations within its own jurisdiction as may be necessary for the collection and compilation of such information.

2. Furnish such information and data as may be necessary in accordance with paragraph 4 of Article 35.

3. Consult, upon the request of the Organization in accordance with paragraph 8 of Article 35, with respect to activities which are the subject of complaints filed with the Organization.

4. Notify the Organization of consultations to be held with another Member for the purpose of dealing with particular restrictive business practices, in order that the Organization may assist in arranging such consultations and participate in them pursuant to paragraph 9 of Article 35.

5. Take action, after recommendation by the Organization, to terminate and prevent the recurrence of a particular restrictive business practice or group of practices which has been found by the Organization to have the effect described in paragraph 1 of Article 34. These measures will be taken in accordance with the particular system of law and economic organization of the Member concerned.

6. Report as requested by the Organization under paragraph 6 of Article 35 upon any action taken by it in implementing the recommendations made by the Organization pursuant to paragraph 5 of Article 35.

7. Furnish, to the extent feasible, information requested by the Organization in its conduct of studies authorized by paragraph 1 of Article 35.

8. Participate in conferences sponsored by the Organization in furtherance of the purposes of this Chapter.

ARTICLE 38

Supplementary Enforcement Arrangements

1. Members may, by mutual accord, cooperate with each other in prohibiting, preventing or lessening the extent of the purpose of making more effective any remedial order issued by a duly authorized agency of any Member in furtherance of the objectives of this Chapter.

2. Members participating in such co-operative actions shall notify the Organization.

STUDIES AND CONFERENCES RELATING TO RESTRICTIVE BUSINESS PRACTICES

ARTICLE 36

1. The Organization is authorized to request information from Members and to conduct studies, either on its own initiative or at the request of any Member, the United Nations or specialized agency of the United Nations, relating to business practices which may restrain competition, restrict access to markets or foster monopolistic control in international trade or relating to international conventions or national laws and procedures designed to carry out the objectives of Article 34 or to those which may affect such objectives, such as conventions, laws or procedures concerning incorporation, company registration, investments, securities, prices, markets, fair trade practices, trade-marks, copyrights, patents and the exchange and developments of technology; and, where appropriate, to make recommendations for action by the Members.

2. The Organization is authorized to call general consultative conferences of Members and to carry out such additional functions, within the scope of this Chapter, as may from time to time be assigned to it.

STUDIES AND CONFERENCES RELATING TO RESTRICTIVE BUSINESS PRACTICES

ARTICLE 36

1. The Organization is authorized to request information from Members and to conduct studies, either on its own initiative or at the request of any Member, the United Nations or specialized agency of the United Nations, relating to business practices which may restrain competition, restrict access to markets or foster monopolistic control in international trade or relating to international conventions or national laws and procedures designed to carry out the objectives of Article 34 or to those which may affect such objectives, such as conventions, laws or procedures concerning incorporation, company registration, investments, securities, prices, markets, fair trade practices, trade-marks, copyrights, patents and the exchange and developments of technology; and, where appropriate, to make recommendations for action by the Members.

2. The Organization is authorized to call general consultative conferences of Members and to carry out such additional functions, within the scope of this Chapter, as may from time to time be assigned to it.
ARTICLE 39

Continued Effectiveness of Domestic Measures Against Restrictive Business Practices

Any act or failure to act on the part of the Organization, Member or non-Member, shall produce any Member from enforcing any national statute or decree directed toward preventing monopoly or restraint of trade.

ARTICLE 40

Exceptions to Provisions of Chapter V

1. The undertakings expressed in Chapter V shall not apply to:

(a) inter-governmental commodity agreements meeting the requirements of Chapter VI;  
(b) the international agreements excepted in Article 38;  
(c) agreements or understandings concerning railway transportation, aviation, shipping and telecommunications services.

2. Notwithstanding the foregoing, the Organization may in its discretion make recommendations to Members and to appropriate international agencies concerning any features of the agreements referred to in (b) and (c) of paragraph 1 which may interfere with the achievement of the purposes of the Organization.

CHAPTER VI.—INTER-GOVERNMENTAL COMMODITY ARRANGEMENTS

ARTICLE 41

General Statement Regarding Inter-governmental Commodity Arrangements

The Members recognize that in the relationship between production and consumption of some primary commodities there may arise special difficulties. In circumstances to which general policy of economic expansion.

ARTICLE 42

Special Commodity Studies

1. Members substantially interested in the production, consumption or trade of a particular commodity shall be entitled, if they consider that special difficulties exist or are expected to arise concerning a commodity, to ask that a study of that commodity be made, and the Organization, if it finds that these representations are well founded, shall invite the Members principally interested in the production, consumption or trade of that commodity, and may invite non-Members having a similar interest, to appoint representatives to a Study Group to make a study of the commodity.

2. The Study Group shall, in the light of an investigation of the root causes of the problem, promptly report its findings regarding the production, consumption and trade situation for the commodity. If the Study Group finds that special difficulties exist or are expected to arise, it shall make recommendations to the Organization as to how best to deal with such difficulties.

ARTICLE 43

Commodity Conferences

If the Organization concludes that measures not involving the regulation of production, trade or prices are unlikely to operate quickly enough in solving the problem, it may convene an inter-governmental conference for the purpose of framing an inter-governmental commodity agreement for the commodity concerned, in conformity with the principles set forth in Article 45.

ARTICLE 44

Objectives of Inter-governmental Commodity Agreements

1. The Members agree that the regulation of production, trade or prices through inter-governmental commodity agreements is justified in the circumstances stated in Article 43 to achieve the following objectives:

(a) To prevent or alleviate the serious economic problems which may arise when, owing to the difficulties of finding alternative employment, production adjustments cannot be effected by the free play of market forces as rapidly as the circumstances require.

(b) To provide, during a transitional period, a framework for the development and consideration of measures which will have as their purpose economic adjustments designed to promote the expansion of consumption or a shift of resources and manpower out of over-expanded industries into new and productive occupations.

ARTICLE 45

Principles Governing the Institution of Inter-governmental Commodity Agreements

Members undertake to adhere to the following principles governing the institution of inter-governmental commodity agreements involving the regulation of production, trade or prices:

(a) Any Member having a substantial interest in the production, consumption or trade of any commodity for which an inter-governmental commodity agreement is proposed shall be entitled to participate in the consideration of the proposed agreement. The Organization may invite the participation of non-Member countries having a similar interest.

(b) Members agree not to enter into inter-governmental commodity agreements involving the regulation of production, trade or prices, except after:

(a) investigation by the Study Group of the root causes of the problem which gave rise to the proposal;  
(b) determination, under procedures established by the Organization in accordance with paragraph 6 of Article 39, either:

(1) that a burdensome surplus of the product concerned has developed or is developing in international trade, or such burdensome surplus would, in the absence of specific governmental action to prevent it, be accompanied by widespread discharges to small producers accounting for a substantial portion of the total output and that these conditions cannot be corrected by the normal play of competitive forces because, in the case of the product concerned, a substantial reduction of price leads neither to a significant increase in consumption nor to a significant decrease in production; or

(2) that widespread unemployment, unrelated to general business conditions, has developed or is developing in respect of the industry concerned, and that such unemployment could not be corrected by the normal play of competitive forces rapidly enough to prevent widespread and undue hardship to workers in the case of the industry concerned, a substantial reduction of price does not lead to a significant increase in consumption but leads, instead, to the reduction of employment, and (b) the resulting unemployment cannot be remedied by normal reemployment processes;  
(c) formulation and adoption by Members of a program of economic adjustment believed to be adequate to insure substantial progress toward solution of the problem within a time limit of the agreement.

(c) Intergovernmental commodity agreements involving the regulation of production, trade or prices in respect of other than primary products shall not be proposed to unless the Organization finds that, exceptional circumstances justify such action. Such agreements shall be subject to the principles set forth in this Chapter, and, in addition, to any other requirements which the Organization may establish.

ARTICLE 46

Principles and Requirements of Intergovernmental Commodity Agreements

Members undertake to adhere to the following principles and requirements governing the operation of intergovernmental commodity agreements:

(a) Such agreements shall be open initially to participation by any Member on terms no less favorable than those accorded to any other country party to the Agreement, and thereafter any such Member may be approved by the Organization.

(b) Such agreements shall provide for adequate representation of Members substantially interested in the importation or consumption of the commodity.
ARTICLE 48

Additional Obligations of Members in Respect of Inter-governmental Commodity Agreements

Members undertake to transmit to the Organization the full text of each intergovernmental commodity agreement in which they are participating at the time of the coming into force of their obligations under this Charter. Members also agree to transmit to the Organization appropriate information regarding the formulation, provisions and operation of such agreements. Members agree to conform with the decisions made by the Conference, upon the recommendation of the Commodity Commission, regarding their continued participation in any such intergovernmental commodity agreement which, after review by the Organization, shall have been found to be inconsistent with the principles of this Charter.

ARTICLE 49

Exceptions to Provisions Relating to Intergovernmental Commodity Agreements

1. The provisions of Chapter VI are not designed to cover those provisions of intergovernmental commodity agreements which appropriately relate to the protection of public morals; the protection of human, animal or plant life or health; the conservation of exhaustible natural resources; the protection of international public and economic interests of Members in short supply; or in general to intergovernmental commodity agreements not regulating production, trade or prices: Provided, That such agreements are not used to accomplish results inconsistent with the objectives of Chapter V or Chapter VI. Members agree not to participate in such agreements if the operations of the agreement for the regulation of production, trade or prices unless they are authorised or provided for by a multilateral convention subscribed to by a majority of the nations, and operated under the Organization.

2. None of the foregoing provisions of Chapter VI is to be interpreted as applying to agreements relating to flammable materials; to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on for the purpose of maintaining or establishing a military establishment; or, in time of war or other emergency in international relations, to the protection of the essential security interests of a Member.

CHAPTER VII.—ORGANIZATION

Section A.—Functions.

ARTICLE 50

Functions of the Organization

It shall be the function of the Organization:

1. To collect, analyze and publish information relating to international trade, including information relating to governmental policies, and to industrial and general economic developments.

2. To provide technical assistance and advice to Members and other international organizations, including such assistance and advice as may be appropriate in connection with specific projects of industrialization or other economic development.

3. To consult with, and to make recommendations to, Members regarding any matter relating to the purposes of the Organization or the operation of this Charter, including the following:

(a) Recommendations or determinations relating to the discharge of the responsibilities of the Organization under Chapter IV.

(b) Recommendations as to measures for implementing the objectives with regard to restrictive business practices, set forth in Chapter V.

(c) Recommendations regarding the application to commodity arrangements under consideration by Members of the principles governing commodity arrangements set forth in Chapter VI, and recommendations regarding new commodity arrangements, or proposing such modifications, including termination, of commodity arrangements already concluded, as may be deemed expedient under the commodity principles or in the general interest.
(d) Recommendations as to measures: for implementing the objectives of the Organization in encouraging and assisting the industrial and general economic development of Members countries.

(4) To consult with Members regarding disputes growing out of the provisions of this Charter and to provide a mechanism for the settlement of such disputes.

(5) To make recommendations for international agreements designed to improve the basis of trade and to assure just and equitable treatment for the enterprises, skills, capital, arts and technology brought from one country to another, including agreements on the treatment of foreign nationals and enterprises, on the treatment of commercial travellers, on commercial arbitration, and on the avoidance of double taxation.

(6) To cooperate with the United Nations and with other specialized international organizations in the attainment of the economic and social objectives of the United Nations and in the maintenance or restoration of international peace and security.

(7) Generally to advise and to make recommendations to Members and other international organizations, and to perform any other function appropriate to the purpose of the Organization.

Section B.—Structure

ARTICLE 51

Structure of the Organization

The Organization shall have as its principal organs: a Conference, an Executive Board, a Commission on Commercial Policy, a Commission on Business Practices, a Commodity Commission and a Secretariat.

Section C.—The Conference

ARTICLE 52

Conference—Membership

1. The Conference shall consist of the representatives of the Members of the Organization.
2. Each Member shall have one representative and may appoint alternates and advisers to its representative on the Conference.
3. No representative on the Conference may represent more than one Member.

ARTICLE 53

Conference—Voting

1. Each Member shall have one vote in the Conference.
2. Except as may be otherwise provided for in this Charter, decisions of the Conference shall be taken by a majority of the Members present and voting.

ARTICLE 54

Conference—Sessions, Procedure and Officers

1. The Conference shall meet in regular annual sessions and in such special sessions as occasion may require. Special sessions shall be convoked by the Director General of the Organization at the request of the Executive Board or of a majority of the Members.
2. The Conference shall adopt its own rules of procedure.
3. It shall annually elect its President and other officers.

ARTICLE 55

Conference—Powers and Duties

1. The Conference shall have final authority to determine the policies of the Organization. It may make recommendations to Members of the Organization and to other international organizations regarding any matter pertaining to the purposes of the Organization.
2. The Conference may, by a vote of two thirds of its Members, determine criteria and set up procedures for waiving, in exceptional circumstances, obligations of Members undertaken pursuant to Chapter IV of this Charter.
3. The Conference may delegate to the Executive Board authority to exercise or perform any of the powers and duties of the Conference, except such specific powers and duties as are expressly conferred or imposed upon the Conference under the provisions of Chapters II and VII.
4. The Conference shall approve the budget of the Organization and shall appropriate the expenses of the Organization among the Members.
5. The Conference shall elect the members of the Executive Board, and on the recommendation of the Executive Board, shall appoint the Director General of the Organization.
6. The Conference shall establish procedures for making the determinations provided for in Article 25 and in paragraph 16 of Article 10, which may any such determinations shall be made through the Organization by consultation among the Members having an important interest in the trade in the product concerned.
7. The Conference shall establish procedures for making the determinations and recommendations provided for in paragraphs 2(c) of Article 29; paragraph 2 of Article 52; and Article 30.
8. The Conference may, by two-thirds majority of the votes cast, adopt the standards, nomenclature, terms and forms described in paragraph 7 of Article 16.
9. The Conference shall determine the site of the Organization and shall establish such branch offices as it may consider desirable.

ARTICLE 56

Interim Tariff Committee

There shall be an Interim Tariff Committee which shall act temporarily on behalf of the Organization in the making of recommendations and determinations pursuant to paragraph 3 of Article 19.

The Committee shall consist originally of those Members of the Organization which shall have made effective the General Agreement on Tariffs and Trade dated 1947. Any other Member of the Organization shall be entitled to be a member of the Committee when, in the judgment of the Committee, that Member shall have completed negotiations pursuant to paragraph 1 of Article 18 comparable in scope or effect to those completed by the original members of the Committee. When the number of Members of the Organization which are members of the Committee shall constitute two thirds of the total number of Members of the Organization, the Committee shall terminate and its functions shall be transferred to the Conference.

3. Each member of the Committee shall have one vote.
4. Decisions of the Committee shall be taken by a majority of the members present and voting.
5. The Committee shall adopt its own rules of procedure, including provision for the election of its officers.

Section D.—The Executive Board

ARTICLE 57

Executive Board—Membership

1. The Executive Board shall consist of fifteen Members of the Organization elected by the Conference.
2. Subject to the provisions of paragraph 3 of this Article, one third of the membership of the Executive Board shall be elected each year for a term of three years. A retiring member shall be eligible for immediate re-election.
3. At the first election, fifteen members of the Executive Board shall be chosen. The term of office of five Members shall expire at the end of one year, and of five other Members at the end of two years, in accordance with arrangements made by the Conference.
4. Each member of the Executive Board shall have one representative and may appoint alternates and advisers to its representative.

ARTICLE 58

Executive Board—Voting

1. Each member of the Executive Board shall have one vote.
2. Decisions of the Executive Board shall be made by a majority of the members present and voting.

* This Agreement refers to the proposed arrangement for the concerted reduction of tariffs and trade barriers among the countries invited by the United States to enter into negotiations for this purpose. It is contemplated that the Agreement would contain schedules of tariff concessions and would incorporate certain of the provisions of Chapter IV of the Charter (e.g., the provisions relating to most-favored-nation treatment, to national treatment on internal taxes and regulations, to quantitative restrictions, etc.).
ARTICLE 59
Executive Board—Sessions, Procedure and Officers
1. The Executive Board shall meet as required in accordance with its rules, which shall include provision for convoking on the request of a majority of its members.
2. The Executive Board shall adopt its own rules of procedure. It shall annually elect its Chairman and other officers.

ARTICLE 60
Executive Board—Powers and Duties
1. The Executive Board shall be responsible for the execution of the policies of the Organization and shall exercise the powers delegated to it by the Conference. It shall review the activities of the Commissions provided for in this Charter, and shall take such action upon their recommendations as it may deem appropriate. It shall provide adequate machinery to review the work of the Organization as it relates to industrialization and general economic development.
2. The Executive Board may make recommendations to the Conference, to Members of the Organization, or to other international organizations, on any subject falling within the scope of the Organization, and shall approve the preliminary agenda of the Conference.
3. The Executive Board shall recommend to the Conference the admission of new Members of the Organization.
4. The Executive Board may refer to the Commissions such questions as it may deem appropriate.

Section E—The Commissions
ARTICLE 61
Establishment of Commissions
The Conference shall establish a Commission on Commercial Policy, a Commission of Business Practices, and a Commodity Commission, and may establish such other commissions as may be required. These Commissions shall be responsible to the Executive Board.

ARTICLE 62
Composition and Procedure of Commissions
1. The Commissions shall be composed of persons appointed by the Executive Board who are qualified by training or experience to carry out the functions of the Commissions in accordance with the purposes of the Organization.
2. The number of members of each Commission and the conditions of office of the members of each Commission shall be determined in accordance with regulations prescribed by the Conference.
3. Each Commission shall elect its Chairman and adopt its own rules of procedure, subject to approval by the Executive Board.
4. The Chairman of the Commissions shall be entitled to participate, without the right of vote, in the deliberations of the Executive Board and of the Conference.
5. As set forth more fully in Article 71, the Organization may make arrangements for representatives of other public international organizations having a special interest in the activities of any of the Commissions to participate in the work of such Commissions, pursuant to agreements with these organizations.

ARTICLE 63
General Functions of Commissions
The Commissions shall have the functions set forth in Articles 64, 65 and 66, and shall perform such other functions as the Conference or the Executive Board may assign to them, including such functions as the Executive Board may deem appropriate in connection with the settlement of disputes.

ARTICLE 64
Functions of Commission on Commercial Policy
The Commission on Commercial Policy shall have the following functions:
1. To investigate and to advise the Executive Board regarding the operation of treaties, agreements, practices and policies affecting international trade.
2. To investigate and to advise the Executive Board regarding the economic aspects of specific proposals involving the exercise by the Organization of the functions described in paragraph 3 (c) of Article 50 and paragraph 2 of Article 55.
3. To investigate and to advise the Executive Board regarding the economic aspects of proposed customs unions.
4. To develop and to recommend to the Executive Board programs designed to further the objectives of the Organization in the general field of commercial policy, including cooperative projects of a technical nature in the field of commercial policy.

ARTICLE 65
Functions of Commission on Business Practices
The Commission on Business Practices shall have the following functions:
1. To receive and consider written complaints concerning restrictive business practices in international trade, as provided in paragraphs 1 and 3 of Article 35; to prescribe and call for information relative to such complaints and to notify Members of complaints received, in accordance with paragraph 3 of Article 35; to request data, conduct hearings and make determinations in accordance with paragraph 4 of Article 35 and on the basis thereof to refer to the Executive Board its recommendations for appropriate remedial measures, pursuant to paragraph 3 of Article 35; and to request reports from Members, and to prepare reports for publication by the Executive Board, in accordance with paragraphs 6 and 7 of Article 35.
2. To arrange special consultative conferences between particular Members and to assist in arranging consultations as requested by Members relative to particular complaints, as provided in paragraphs 8 and 9 of Article 35, and to make appropriate reports or recommendations to the Executive Board with reference to the results thereof.
3. To conduct studies relating to business practices which restrain competition, restrict access to markets or foster monopolistic control in international trade, or relating to international conventions or national laws and procedures designed to carry out the objectives of Article 34 or to those which may affect such objectives, pursuant to paragraph 2 of Article 35; and to make recommendations, when appropriate, to the Executive Board for action by Members.
4. To advise the Executive Board as to information, data, and other materials to be obtained from Members or other sources, required in the discharge of the duties and responsibilities of the Commission.
5. To facilitate intergovernmental arrangements for the international exchange, on a non-discriminatory basis, of technological information not involving national security.

ARTICLE 66
Functions of Commodity Commission
The Commodity Commission shall have the following functions:
1. To investigate commodity problems and arrangements proposed for solving them.
2. To recommend to the Executive Board appropriate courses of action relating to commodity problems, including recommendations for the establishment of Study Groups for particular commodities. Such Study Groups shall be established, pursuant to paragraph 1 of Article 42, by the Executive Board, upon the recommendation of the Commodity Commission, for the purpose of investigating problems with respect to particular commodities. The Study Groups shall include, in addition to representatives of interested countries, one or more members of the Commodity Commission and other persons designated by the Commission.
3. To advise the Executive Board whether a particular commodity is in surplus and the Commission is of the opinion that the situations described in Article 36 could result in the establishment of such surplus and the adoption of appropriate measures.
4. To recommend to the Executive Board whether an intergovernmental conference should be convened pursuant to Article 43.
5. To designate members of the Commission, or others, to participate in an advisory capacity in the formulation of intergovernmental commodity agreements.
(6) To advise the Executive Board whether or not intergovernmental commodity agreements under consideration by Members conform to the principles set forth in Chapter VI and to make recommendations to the Executive Board thereon.

(7) To approve the rules of procedure governing the activities of each Commodity Council.

(8) To designate the Chairman and provide the Secretary for any Commodity Council established to administer an intergovernmental commodity agreement.

(9) To receive reports from Commodity Councils to maintain continuous review of the operation of intergovernmental commodity agreements in the light of the tenor of the agreements, the commodity principles in Chapter VI of this Charter, and the general welfare; to investigate such matters in this connection as it may deem appropriate; and to make recommendations to the Executive Board with regard thereto.

Section F—The Secretariat

ARTICLE 67

Composition of Secretariat

The Secretariat shall consist of a Director General, three or more Deputy Directors General, and such staff as may be required.

ARTICLE 68

Director General

1. The Director General shall be appointed by the Conference upon the recommendation of the Executive Board. His powers, duties, terms and conditions of office shall be in accordance with regulations approved by the Conference. He shall be eligible for reappointment. He shall be the chief administrative officer of the Organization, subject to the general supervision of the Executive Board.

2. The Director General or a Deputy Director General, designated by him shall participate, without the right to vote, in all meetings of the Conference and of the Executive Board. The Director General shall have authority to initiate proposals for the consideration of any organ of the Organization. He shall make an annual report to the Conference and to the Executive Board on the work of the Organization and shall prepare the annual budget for submission to the Conference.

ARTICLE 69

Deputy Directors General

1. Deputy Directors General shall be appointed by the Director General in accordance with regulations approved by the Conference. They shall be eligible for reappointment.

2. Deputy Directors General shall be ex officio members, without the right to vote, respectively of the Commission on Commercial Policy, the Commission on Business Practices, and the Commodity Commission, and shall, respectively, have charge of the work of the Secretariat related to the activities of these Commissions.

ARTICLE 70

Secretariat Staff

1. The Director General shall appoint the staff of the Secretariat and fix its duties and terms and conditions of service. The paramount consideration in the employment of the staff and in the determination of its conditions of service shall be the necessity of securing the highest standards of efficiency, competence and integrity.

2. The conditions of service, such as the provisions governing qualifications, salary, tenure and retirement of members of the staff of the Secretariat shall be fixed, as far as practicable, in conformity with those for members of the Secretariat of the United Nations and of other specialized agencies which may be brought into relationship with the United Nations, as provided in Article 57 of the Charter of the United Nations.

Section G—Miscellaneous Provisions

ARTICLE 71

Relations With Other Organizations

1. The Organization shall be brought into relationship with the United Nations, as soon as practicable, as one of the specialized agencies referred to in Article 69 of the Charter of the United Nations. This relationship shall be effected through an agreement with the United Nations under Article 93 of the Charter of the United Nations, which agreement shall be concluded by the Director General and approved by the Conference. The agreement shall provide for executive cooperation between the two organizations in the pursuit of their common purposes, and at the same time shall recognize competence of the Organization within its jurisdiction as defined in this Charter. Notwithstanding the provisions of Article 75, any changes in this Charter required under the agreement which do not involve new obligations by Members shall be effective on approval of the agreement by the Conference.

2. The Organization shall cooperate with other international organizations whose interests and activities are related to its purposes, with particular reference to the importance of food and agriculture in relation to the subjects dealt with in Chapter VI. Effective working relationships with such organizations, which may include the establishment of joint committees or provisions for reciprocal representation at meetings, or such other measures as may be necessary to assure effective cooperation, may be established by the Director General.

3. The Organization may make suitable arrangements for consultation and cooperation with nongovernmental organizations concerned with matters within its competence, and may invite them to undertake specific tasks.

4. Whenever the Conference of this Organization and the competent authorities of any other international organization recognized by the United Nations, having regard to the competence of this Organization, deem it desirable to effect a transfer of its resources and functions to this Organization, it may enter into this Organization, or to bring it to the supervision or authority of this Organization, the Conference, subject to the approval of the Conference, may enter into mutually acceptable arrangements for this purpose. This Organization may acquire such resources and assume such functions of, or incorporate or exercise such control over, the other organization as may be provided by any convention or agreement appropriate to the purpose. In accordance with their respective constitutional procedures the Members shall take such steps that the Conference may determine to integrate such other international organizations into the structure of this Organization.

ARTICLE 72

International Responsibilities of Personnel of Organization

The responsibilities of the Members of the Commissions provided for in Article 65 of this Charter, of the Director General, of the Deputy Directors General and of the staff shall be exclusively international in character. These persons may be appointed without regard to their nationality. In the discharge of their duties they shall not seek or receive instructions from any government or from any authority external to the Organization. They shall refrain from any action which might prejudice their position as international officials. Each Member of the Organization undertakes to respect the international character of the responsibilities of these persons, and not to seek to influence them in the discharge of their duties.

ARTICLE 73

Legal Capacity of Organization

The Organization shall enjoy in the territory of each of its Members such legal capacity as may be necessary for the exercise of its functions and the fulfillment of its purposes.

ARTICLE 74

Privileges and Immunities of Organization

1. The Organization shall enjoy in the territory of each of its Members such privileges and immunities as are necessary for the fulfillment of its purposes.

2. Representatives of the Members of the Organization and its officials shall similarly enjoy such privileges and immunities as are necessary for the independent exercise of their functions in connection with the Organization.
3. The Conference may make recommendations with a view to determining the details of the application of paragraphs 1 and 2 of this Article and may propose conventions to the Members for this purpose.

ARTICLE 75
Amendments to Charter
1. Amendments to this Charter shall become effective upon receiving the approval of the Conference by a vote of a two-thirds majority of its Members: Provided, That those amendments which involve fundamental alterations in the objectives of the Organization or new obligations by the Members shall take effect upon acceptance on the part of two-thirds of the Members for each Member accepting the amendment and thereafter for each remaining Member on acceptance by it.

2. The Conference shall, by a two-thirds majority of the Members, adopt rules of procedure for carrying out the provisions of this Article.

ARTICLE 76
Interpretation and Settlement of Legal Questions
1. The English and French texts of this Charter shall be regarded as equally authoritative.

2. Any question or difference concerning the interpretation of this Charter shall be referred to the Executive Board for a ruling thereon. The Executive Board may require a preliminary report from any of the Commissions in such cases as it deems appropriate. Any ruling of the Executive board shall, upon the request of any member directly affected or, if the ruling is of general application, upon the request of any Member, be referred to the Conference. Any justiciable issue arising out of a ruling of the Conference with respect to the interpretation of sub-paragraphs (c) (d), (e) or (k) of Article 32 or of Paragraph 2 of Article 49 may be submitted by any Party to the dispute to the International Court of Justice, and any justiciable issue arising out of any other ruling of the Conference may, if the Conference consents, be submitted by any Party to the dispute to the International Court of Justice. The Members accept the jurisdiction of the Court in respect of any dispute submitted to the Court under this Article.

3. The Organization may, with the authorization of the General Assembly of the United Nations, refer any question concerning the interpretation of this Charter to the International Court of Justice with a request for an advisory opinion thereon.

4. The Director General, or his representative, may appear before the Court on behalf of the Organization in connection with any proceeding before that Court.

ARTICLE 77
Contributions of Members
Each Member undertakes to contribute promptly to the Organization its share of the Organization’s expenses as apportioned by the Conference. The right of a Member to vote in the Conference shall automatically be suspended if such Member fails for two successive years to meet its financial obligations to the Organization: Provided, That the Conference may, in exceptional circumstances, waive such suspension.

ARTICLE 78
Entry Into Force
1. The original of this Charter, as set forth in the Final Act of the United Nations Conference on Trade and Employment, shall be deposited with the Secretary General of the United Nations, who will furnish certified copies thereof to all interested governments.

2. Each government accepting this Charter shall deposit an instrument of acceptance with the Secretary General of the United Nations, who will inform all governments represented at the United Nations Conference on Trade and Employment and all Members of the United Nations of the date of deposit of each instrument of acceptance and of the date on which this Charter enters into force under paragraph 3 of this Article.

3. This Charter shall enter into force on the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment which have deposited acceptances pursuant to paragraph 2 of this Article shall equal twenty, and the acceptance of each other accepting government shall take effect on the sixtieth day following the day on which the instrument of such acceptance is deposited: Provided, That if this Charter shall not have entered into force by December 31, 1946, any of the governments which have made effective the General Agreement on Tariffs and Trade dated January 27, 1947, together with any other governments which have already deposited their acceptances, may agree to bring this Charter into force among themselves in accordance with arrangements which they may agree upon.

4. Each government accepting this Charter does so in respect of all territory in which it has authority to make the provisions of this Charter effective.

ARTICLE 79
Withdrawal and Termination
1. Any Member of the Organization may give notice of withdrawal from the Organization at any time after the expiration of five years from the date of the entry into force of this Charter under the provisions of Article 78 by written notification addressed to the Secretary General of the United Nations, who will immediately inform all other Members of the Organization.

2. The withdrawal shall take effect one year from the date of the receipt of the notification by the Secretary General: Provided, That the notification may be withdrawn at any time during that period.

3. This Charter may be terminated at any time by agreement of three fourths of the Members of the Organization.

* See footnote to the reference to this Agreement in paragraph 2 of Article 36.