1. **ELECTION OF CHAIRMAN**

Mr. S. Sahlin was unanimously elected Chairman of the Sub-Committee.

2. **THE SUB-COMMITTEE'S AGENDA**

The Committee discussed the order of work proposed in the Agenda prepared by the Secretariat (document E/CONF.2/C.2&3/A/3) containing the proposals and amendments relating to new preferential arrangements affecting Articles 15, 16 and 42. Several changes in the order of work were agreed upon.

3. **ARTICLE 42**

The Sub-Committee reviewed the decision of Committee III to refer to this Sub-Committee the proposals on Article 42 which concerned new preferential arrangements, and to the Sub-Committee on Section F of Chapter IV the proposals relating to customs unions, and came to the conclusion that it would be preferable for one Sub-Committee to examine all the proposals on Article 42 since those affecting customs unions were closely related to those on preferences. Accordingly, the Chairman of the Sub-Committee was asked to discuss with the Chairman of Committee III the possibility of referring all the proposals on Article 42 to this Sub-Committee.

4. **FRONTIER TRAFFIC**

The Sub-Committee discussed the proposal of the delegate of Argentina to delete the reference to "frontier traffic" from paragraph 2 (a) of Article 42, thus leaving "advantages accorded by any Member to adjacent countries" as exceptions to Chapter IV. This discussion is to be continued at the next meeting.