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

REPORT OF THE AD HOC SUB-COMMITTEE
OF THE TARIFF AGREEMENT COMMITTEE
ON PARAGRAPH 3 OF ARTICLE II

At its ninth meeting, the Tariff Agreement Committee appointed a Sub-Committee with the following terms of reference:

"To devise means of incorporating the results of negotiations pursuant to Article 31 of the Draft Charter and of providing for cases where tariff concessions already negotiated are liable to be affected by the creation of a state trading monopoly."

Representatives of the following Delegations were appointed members of the Sub-Committee:

Canada
Czechoslovakia
France
Norway
United Kingdom
United States of America

Mr. MELANDER (Norway) was elected Chairman.

The Sub-Committee held three meetings and reached agreement on the attached text which it recommends in substitution for the present text of paragraph 3 of Article II.

The Sub-Committee recommends this text of paragraph 3 in the belief that, except where otherwise specifically agreed between the parties to a particular negotiation, the concept of protection by a state monopoly would necessarily follow the provisions of Article 31 of the Draft Charter annexed to the Protocol. The Sub-Committee further recommends that a note to this effect be included in the Protocol of Interpretative Notes.
Paragraph 3 of Article II

If any contracting party establishes, maintains or authorizes formally or in effect, a monopoly of the importation of any product described in the appropriate Schedule annexed to this agreement such monopoly shall not, except as provided in the Schedule or as otherwise agreed between the parties to the negotiation of the concession, operate so as to afford protection on the average in excess of the amount of protection provided for in such Schedule. This paragraph shall not limit the use by contracting parties of any form of assistance to domestic producers permitted by other provisions of this agreement.