REPORT
OF THE FIRST SESSION
OF THE PREPARATORY COMMITTEE
OF THE
UNITED NATIONS CONFERENCE
ON TRADE AND EMPLOYMENT
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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 the co-operative economic measures already taken be supplemented by further international measures dealing directly with trade barriers and discrimination which stood in the way of an extension of multilateral trade and by 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 had been 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 its eighteen members and all members, except the Union of Soviet Socialist Republics, signified 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 serious 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 is 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 for 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 of 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 an 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 this Report of proceedings.

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

- **Committee I:** Employment and Economic Activity
  - Chairman: Dr. H. C. Coombs (Australia)
  - Vice-Chairman: Dr. B. A. Speekenbrink (Netherlands)

- **Committee II:** General Commercial Policy
  - Chairman: Mr. J. R. C. Helmore (U.K.)
  - Vice-Chairman: Mr. R. W. E. Hepple (Canada)

- **Committee III:** Employment and Economic Activity
  - Chairman: Mr. H. S. Malik (India)
  - Vice-Chairman: H. E. Dr. Wunsz King (China)
  - Secretary: Dr. H. C. Coombs (Australia)

- **Committee IV:** Inter-governmental Commodity Arrangements
  - Chairman: M. Pierre Dieterlen (France)
  - Vice-Chairman: Senor don Higinio Gonzalez (Chile)

- **Committee V:** Administration and Organization
  - Chairman: Mr. J. R. C. Helmore (U.K.)
  - Vice-Chairman: Mr. R. W. E. Hepple (Canada)

9. The following working committees were established by the Preparatory Committee at its First Session:

- **Chairman:** M. Max Suetens (Belgium/Luxembourg)
- **First Vice-Chairman:** M. Z. Augenthaler (Czechoslovakia)
- **Second Vice-Chairman:** H. E. Seifor Alberto Incocente Alvarez (Cuba)

10. The various working committees 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.
The Preparatory Committee of the United Nations was given a task of preparing texts which would be included in the draft Charter for an International Trade Organization. The Preparatory Committee was also instructed to give expression to the views of governments, including those who are not members of the United Nations, relating to the subject matter of the Charter. The Preparatory Committee was also directed to give expression to the views of governments, including those who are not members of the United Nations, relating to the subject matter of the Charter. The Preparatory Committee was also directed to give expression to the views of governments, including those who are not members of the United Nations, relating to the subject matter of the Charter.

1. It is considered that if full 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 development of their resources and in raising their standards of productivity. Here again the choice of measures should be left to the individual decisions of the governments concerned, which must be free to choose the measures which are appropriate to their own domestic institutions. This choice should be unlettered, although, of course, it is recognized that the type of measure which might be held to be committed to types of action which 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 deficient demand shows itself not so much in mass unemployment (the common form in industrial 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 home or for export, governments might be held to 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 condition 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.

4. Reviewing the work of the First Session, it may be justly claimed that good progress has been made. The work will be carried forward and, it is hoped, completed at the Second Session in April 1947 which will also include multilateral negotiations between the members of the Preparatory Committee. In order to prepare the way for these tariff discussions the Preparatory Committee elaborated a document on procedures. It is hoped that with the completion of the task of the Preparatory Committee at its Second Session, the stage will have been set for the International Conference in the autumn of 1947.

13. In concluding this Introduction to the Report it is desired first, to place on record the appreciation of the Preparatory Committee for the cordial welcome afforded to it by H.M. Government in the United Kingdom, and second, to recognize the great contribution to the Preparatory Committee of the extensive and careful work which the experts of the United States had done and which was embodied in the draft Charter for an International Trade Organization.
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 this sphere since this would seriously handicap the expansion of production in those countries which, having plentiful supplies of labour but relatively little capital equipment or industrial skill, must for a time develop 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 a provision 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 since 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 the formulation of the agreement. The reason for opposing 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 virtually affect the employment of labour and the flow of international trade.

SECTION B
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 productivity and maintaining fair labour conditions, may, nevertheless, be suffering temporary pressure upon its foreign exchange reserves, and that 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 maladjustments. 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 insofar as the pressure on their balances of payments is due to the failure of countries with excessive export surplus to utilize 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 countries which use excessive exports to maintain full employment.

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, with which the country concerned could not cope, the country concerned should make full contribution to action designed to correct the maladjustment. The particular measures that should be adopted (e.g., the stimulation of imports or the removal of other assistance to exports, an 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 here lies 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 general governments concerned and the International Trade Organization should co-operate fully with the Fund.*

SECTION F
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 serious or abrupt decline in the effective demand of other countries, the Preparatory Committee concluded that there must be adequate safeguards to meet this contingency.

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 of the 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, may not themselves be partly responsible for the maladjustments. For example, countries with excessive export surplus may be the means whereby it is maintaining its own domestic employment.

3. The Preparatory Committee is of the opinion that the Charter of the International Trade Organization should also contain adequate safeguards. It was in any case proposed that countries in balance of payments difficulties should be permitted to impose quantitative restrictions on their imports, and it was recognized that such restrictions would have an intensifying effect on the development of the world prices 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 world, there would be permitted to restrict their purchases from it to the necessary degree without restricting their purchases from each other.

4. It was generally felt that the clauses relating directly to employment and productivity and the general employment provisions must also contain adequate safeguards. 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:

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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, with which the country concerned could not cope, the country concerned should make full contribution to action designed to correct the maladjustment. The particular measures that should be adopted (e.g., the stimulation of imports or the removal of other assistance to exports, an 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 here lies 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 general governments concerned and the International Trade Organization should co-operate fully with the Fund.*

Throughout this Report and its Appendix the term "Charter" standing alone refers to the text drafted by the Preparatory Committee and appended to this Report. When the United States Draft Charter or the Charter of the United Nations are mentioned, they are referred to by their full titles.

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The Functions of the Economic and Social Council and the Specialised 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 concerted, 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 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, acting with the appropriate 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 programs of productive and employment undertakings. It is expected that the needs of employment policy may be intelligently anticipated. Close and 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.

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 needs further consideration, particularly in view of the wish that the link 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 include the employment undertakings 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 separately. 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 concerted action might be taken in the international field to assist in maintaining full and productive employment and a high and stable level of world demand. 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.


The UNATIONS 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 and carried out in collaboration with the appropriate inter-governmental organizations, and in the light of the conclusions of their recent reports, and that international action might take 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 the consideration of such measures as:

(1) The concerted timing, to the extent which may be appropriate and practicable in the interests of employment policy, of national and international measures to influence credit conditions and the terms of borrowing;

(2) 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 countries;

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

(4) The promotion, under appropriate safeguards, of an international flow of capital in periods of world deflationary pressure to those countries whose balance of payments needs temporary support in order to enable them to maintain domestic policies for full and productive employment.

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 inadequate or inadequately developed or protected relative to their potential.

2. It is thought that one of the chief gains from development is found in the resulting greater diversification within and between primary, manufacturing and service industries. Such diversification can contribute to increased stability of the economy of a country and confer upon it great social and cultural benefits. The development of manufacturing industries will be of particular importance as it is through such development that the greatest measure of diversification of production and employment opportunities can be achieved.
3. It is desired also to draw attention to a matter of interest to all countries, namely, the early economic re-establishment of the 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 disappearance, due to the wars, followed by difficulties in all parts of the world far removed from the theatre 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 equipment and other manufactured products, which will be needed for economic development. In these countries there are qualified technicians and experienced artisans already accustomed to modern industrial techniques and would be 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 productivity and living standards, and such measures that 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 undertake 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 in this in particular the developing country makes its 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 reasonable rapidity.

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 redistribution 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 development of economic resources include capital, capital goods and materials markets, an adequate supply of technical knowledge, managerial skill and technicians and trained artisans in management. When any of these conditions are unsuitable, international and domestic action may be taken to modify the situation. This international action may be such as to facilitate the supply of capital, capital goods and materials to provide skilled management, trained technicians and artisans and to improve technology. Individual countries may take some action to provide and carry out development projects, to raise standards of industrial management, to provide for the training of their own nationals as technicians and artisans, and subject to international obligations, to render help by 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 modernize and improve the technology of existing industrial enterprises 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. While some 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 international supply of capital will be particularly necessary to less developed countries, since the latter, having 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 recognize that they have a responsibility to co-operate within the limits of their power, in promoting the international economic recovery, in ensuring that there is a regular flow of capital to those countries in particular which have limited capital resources. The International Trade Organization might well participate in discussions with its own members and other international organizations regarding proposals to this end. In addition it is felt that members should underwrite not to place any unreasonable impediments in the way of other members having access to capital.

3. A country embarking on a programme of development involving substantial imports of capital goods may be faced with the possibility of balance of payments difficulties. 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 ought to 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 programmes 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 countries. Therefore the Preparatory Committee is of the opinion that members of the Organization should recognize that they have a responsibility to co-operate with one another in supplying these requirements.

SECTION F

Technology and Training

One of the most important ways in which industrial development can be promoted throughout the world is through the dissemination and exchange of technical knowledge and scientific research. This may be accomplished through the channel of technical assistance, particularly in countries at present inadequately developed relative to their potential. This can be achieved in part by national and international action to make available as widely as possible (subject to considerations of national security) knowledge of new developments in all countries resulting from changing technology and scientific research, and in part by individual action by business entities in the less industrialized countries gaining access to patents, specifications and other information on advanced technology. This may be accomplished, for example, by such business entities becoming associated with more experienced ones in the more highly industrialized countries, by the knowledge of technical developments. This may be accomplished, for example, by such business entities becoming associated with more experienced ones in the more highly industrialized countries, by the knowledge of technical developments. This may be accomplished, for example, by such business entities becoming associated with more experienced ones in the more highly industrialized countries, by the knowledge of technical developments. If technicians and skilled artisans in the more developed countries are encouraged to go, permanently or temporarily, to the less developed countries. On the other hand the less developed countries, by adhering to the standard of "technical and training of their own nationals and should have opportunities of sending their own nationals to the more developed countries for instruction and training.

SECTION G

Mutual Responsibilities

In the carrying out of programmes of industrial and general economic development, therefore, there will be an 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 the importance of making mutual contributions. 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 agreements. If they fail to do so, they should take no unreasonable action injurious to the interest 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 afforded 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 use of protective measures by any country for the purpose of promoting industrial development places an undue burden on the economy of that country, and imposes an inconvenience on those members which do not need such protection, it is desirable that countries promoting development should not make immoderate 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 I
Nature of Protection

1. Considerable attention was devoted to the question of the kind of protective measures which might be used for promoting industrial development. The Preparatory Committee recognized that the Charter provides a substantial measure of freedom to use subsidies and that it also permits the use of tariffs. The somewhat simpler procedure indicated in paragraph (3) of Article 13 of the Charter covers a situation in which permission is sought to use subsidies and that it also permits the use of tariffs. The Preparatory Committee, therefore, related principally to the means whereby a member country could impose some other form of protection that is otherwise not permitted by the Charter and such release would not impair the result of prior tariff 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. If the situation would not impair the result of prior tariff negotiations. Particular attention was given to the possible use of quantitative regulation of imports as a means of protection. The Preparatory Committee is of the opinion that the suggested procedure, this means should be employed only where it 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. 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. If the situation would not impair the result of prior tariff negotiations. Particular attention was given to the possible use of quantitative regulation of imports as a means of protection. The Preparatory Committee is of the opinion that the suggested procedure, this means should be employed only where it 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.

3. 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 right of any other member to complain to the Organization if such member felt that in any instance quantitative restrictions were unjustifiably imposed. This delegate specifically reserved his position with regard to paragraph (3) of the Charter.

4. A second delegate expressed concern at what he regarded to be the complicated and lengthy character of the procedure for obtaining release provided in paragraph (3) of Article 13 of the Charter. He believed that the 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 urge that the procedure adopted by the Organization should be less cumbersome, providing for release on the basis of criteria established by the Organization, without requiring prior consultations 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 achieved, and this delegate did not at this stage propose any amendments, although reserving his position.

5. Despite the proposal, set out in paragraph (3) of Article 13, namely that the Organization should be empowered to give a release in appropriate circumstances to a member country of a form of protection that is otherwise not permitted by 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 J
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 in their performance. It is clear that the International Trade Organization cannot exercise any function, that 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 services of the Organization with greater best practical 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 wise exercise of their functions which the Charter entrusts to the Organization.

3. The Preparatory Committee is aware, however, that this problem cannot be looked at solely from the point of view of the purposes of the Charter. There are a number of inter-governmental agencies and organizations concerned with various aspects of industrial development. These include the Sub-Commission on Economic Development of the Economic and Social Council, the International Bank for Reconstruction and Development, the International Labour Office, the Food and Agriculture Organization and the United Nations Educational, Scientific and Cultural Organization. The Preparatory Committee assumes that the Economic and Social Council will have a leading role in its function. The question of the appropriate division among various agencies of responsibilities not yet allocated in the field of economic development and to the means whereby their activities can be adequately coordinated will be considered by the Council on these questions must be based on other and possibly wider considerations than those which fall within the competence of the Preparatory Committee. Accord-
ingly, paragraph (g) of Article 11, by which the organization is empowered to provide technical aid to members, has been placed in square brackets as an indication that its inclusion should be regarded as provisional until the views of the Economic and Social Council on that point have been formulated.

It is suggested, therefore, that the Economic and Social Council should be invited, when examining the allocation of functions in relation to industrial development, to give due weight to the considerations set forth above and to advise whether the inclusion of paragraph (g) 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 related to the International Trade Organization, which require to be taken into consideration in this matter, the Preparatory Committee expresses the hope that all members of the Economic and Social Council, may be invited to submit their 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.

I. 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 unconditional most-favoured-nation treatment in respect of all customs matters; and

(ii) that existing preferences, which are of long standing and 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 24.

(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 awarding of public works contracts is more closely related to the treatment of foreign nationals and corporations than to the treatment of foreign trade in goods. It is considered that Chapter V of the Charter should be confined to matters affecting trade and that questions related 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 (a) of Article 61 of the Charter. Under this paragraph as well as under Article 75, the International Trade Organization can 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 is recommended for inclusion in Article 31 (Non-discriminatory Administration of State- Trading Enterprises).

(iv) The Preparatory Committee considered the provision in Article 9 of the United States Draft Charter for national, as distinct from most-favoured-nation, treatment in respect of governmental purchases of supplies for governmental use. Such provision would require the elimination of the "buy-national" legislations under which national governments are required to give preference to domestic products in purchasing their administrative supplies. As it appears to the Preparatory Committee that an attempt to reach agreement on such a commitment would lead to exceptions almost as broad as the commitment itself, the Preparatory Committee has omitted this commitment.

(v) Under paragraph 2 of Article 8 of the United States Draft Charter the preference remaining after the most-favoured-nation preferences are temporarily excepted from the most-favoured-nation clause (i.e., they are excepted pending their elimination by negotiation under Article 18 of that Charter) provided that they were in effect in either 1930 or 1946 (whichever date resulted in the lower preferences). Also, under that paragraph the preferences thus excepted were limited, roughly, to Imperial or Commonwealth preferences and Cuban-American preferences.

(vi) Under the revision of paragraph 2 of Article 8 (Article 14) which is recommended by the Preparatory Committee, the preferences excepted from the most-favoured-nation clause are those remaining after the negotiations contemplated in Article 24 rather than those in effect on a particular date. Also, the categories of preferences thus excepted are broadened to include not only Imperial and Cuban-American preferences but also preferences in force between neighbouring countries in 1946.

(vii) The base dates in paragraph 2 of Article 8 of the United States Draft Charter would determine in a precise way those preferences to be eliminated under the most-favoured-nation clause and those preferences to be subject to negotiations under Article 18 of that Charter. Accordingly, the removal of the base dates from this paragraph will require that some other method be found of establishing a basis for negotiations with respect to preferences. Recommendations on this point are included in that part of the Report which relates to the proposed multilateral trade-agreement negotiations among members of the Preparatory Committee.

(viii) In this connection one delegate suggested that Articles 8 and 18 of the United States Draft Charter should be interpreted in such a way that, so long as a preference remained accordable in one part of the preferential system specified in paragraph 2 of Article 8, that part of the preferential system to which such preferences should be at liberty to extend the same, or a lesser measure of preference to any other part of the same preferential system which at present did not enjoy it.

2. Reduction of Tariffs and Elimination of Preferences

(a) General Observations

(i) The Preparatory Committee was in general agreement with the basic principles that the members of the International Trade Organization should enter into reciprocal and mutually advantageous negotiations with each other directed to the substantial reduction of tariffs on imports and exports and to the elimination of import and export preferences, that these negotiations should proceed in accordance with certain rules which the Council cannot unreasonably fail to fulfil their obligation regarding tariffs and preferences, should not be entitled to receive the benefits resulting from the fulfilment of these obligations by other members.

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

The Preparatory Committee 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 industrialization. While making this suggestion, this delegate indicated his willingness to compromise with his 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. Under the revision prepared by the Preparatory Committee the scope of the negotiations has been broadened to clearly cover charges on imports and exports other than tariffs. The additional charges in question 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 activities which appears in paragraph 1 of Article 18 of the United States Charter was omitted in the revision. It was believed that negotiations to negotiate with respect to such margins, in the manner specified in the case of tariffs and preferences, were adequately provided for in the revision.

(iii) Language has been added to paragraph 1 of Article 18 of the United States Draft Charter in order to make clear that the Government of each country which is a member of the Organization may authorize a member to withhold tariff benefits, including binding international predetermined rates of preference, to members who fail to carry out obligations under the Charter in respect of preferences as well as concessions in respect of tariffs.

(c) Rules Governing Negotiations

Certain drafting changes were suggested with regard to the rules governing negotiations as specified in paragraph 1 of Article 18 of the United States Draft Charter. First—Sub-paragraph (a) 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 action with respect to tariff preferences," The rule provided in the revision resulting from an analysis of the position of those countries which are in the early stages of industrialization and 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 industrialization, that due weight will be given in the tariff negotiations to 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 industrialization. While making this suggestion, this delegate indicated his willingness to compromise with his 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.

(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 19 of that Charter) on the one hand, and the adoption of a preference-free treatment on the other hand, should be considered concessions equal in value to the reduction of tariffs or the elimination of preferences. It was agreed that the two suggestions be dealt with under general rules incorporated respectively in Articles 14 (Most-Favoured-Nation Treatment) and Articles 25-28 (Quantitative Restrictions) of the revised text, they could not properly be included in the rules governing selective tariff negotiations. At the same time it was recognized that, in accordance with the plan for conducting tariff negotiations set forth in the United States Draft Charter to the effect that the members of the Preparatory Committee, those countries would not be called upon to subscribe to the most-favoured-nations and quantitative restrictions provisions until selective tariff negotiations had been completed and vice versa. It was believed that this circumstance would assure that due weight will be given in the tariff negotiations to the benefits to be derived from the elimination of quantitative restrictions and the general grant of most-favoured-nation treatment.

(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 benefits from a member failing to negotiate as required by paragraph 4. Under the revision the Organization can authorize withholding of tariff benefits if the member fails to negotiate as required by paragraph 4.

(ii) Under paragraph 3 of the United States Draft Charter the withholding 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 binding international predetermined rates of preference, from members who fail to negotiate adequately as required by paragraph 4.

(iii) Language has been added 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 (4), 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 considered the desirability of retain the trade negotiations, in the light 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 resulting from such negotiations in respect of tariffs and obligations regarding quantitative restrictions or to other Members of the Organization may authorize a member to withdraw or modify the obligations resulting from the obligations laid down in Chapter V (including tariff or preference concessions) shall be permitted to withdraw or modify the obligations resulting from such negotiations in respect of tariffs and obligations regarding quantitative restrictions or to take action for the purpose of preventing such injurious effects. The Preparatory Committee agreed that this right should be subject to adequate safeguards and to the consideration of course by other Members in the event of the abuse of the right.

(b) Three basic changes have been incorporated in the revision of Article 29 of the United States Draft Charter.

(i) Language has been inserted in paragraph (1) of the revision (Article 34) which makes it clear that members invoking the Article may withdraw or modify concessions unilaterally in respect of preferences as well as concessions 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 with the other interested members of the Organization, provided that consultation is undertaken immediately following upon the taking of such action.

(iii) Two delegates questioned the desirability of permitting the imposition of action in respect of particular products 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 per-
mitted, without the delays involved in obtaining the permission of the International Trade Organization to take such action.

(c) 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 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 consult with one another regarding any matter affecting the operation 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 scrutinize arrangements 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 short notice.

(b) Under Article 30 of the United States Draft Charter a member can be authorized by the Organization to suspend or terminate member's 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, it is not the action of a member or the development of any situation, which impaired or nullified any object of the Charter (including any object set forth in Chapter III (Employment)) can be so authorized, for the lodging of a complaint with the Organization. The Organization can make recommendations to the members concerned and, in serious cases, release any member (and not merely the complaining member) 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 kind of action which may be required under the revision. Article 30 but which is precluded under the Article as drafted in 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 from abroad (possible impairment of the objectives of Chapter III). In such cases it is contemplated that the Organization, in such an instance, will be able to authorize, under the most-favoured-nation clause, the operation of the provisions of Chapter V of the Charter.

(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 evading 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 suffering from unfair competition caused by another country in a member seeking the revision) 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 a group of countries, whether existing by law or otherwise. It was agreed that 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 preferences granted by the Preparatory Committee under paragraph (2) 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 customs 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 in fact represent a transitional stage towards a customs union.

(ii) A new paragraph has been added which recognises that new preferential arrangements (for example, those 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 (2) of Article 66 of the Charter.


(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 member 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, (b), as amended, authorizing the submission of a counter-action taken under Article 34 will not be disproportional to the proposed negotiations, is not, of course, a legally binding obligation such as might prevent countries from introducing tariff changes regarding as urgent.

(c) With regard to the proposal in the report that the tariff agreement among the members of the Preparatory Committee should be unilateral in form and in legal application, one delegate considered that bilateral tariff agreements or agreements limited to a small group of countries the benefits of which are generalized under the operation of the most-favoured-nation clause would be more preferable because they might be more easily revised when necessary.

SECTION B

General Commercial Provisions (except most-favoured-nation treatmen)—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 presented to the United Nations Conference on the Draft United Nations Charter. A greater degree of unanimity might have possible if more time had been available. In addition many of the delegates' 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 that the use of import and export quantitative 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 period of shortage it would be permissible to use such restrictions to achieve the equitable distribution of products in short supply, the maintenance of war-time price control by countries undergoing shortages as a result of the war, and the orderly liquidation of temporary surpluses of governmental or commercial origin, and of industries which were set up owing to the exigencies of war, but which it would be uneconomic to maintain in normal times. These last two exceptions would be subject to consultation with other interested countries 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.

* See Annexure 7.
(c) There was wide agreement for an exception to the general rule against export restrictions or prohibitions so as to enable a country to take temporary action to relieve critical shortages of foodstuffs or other essential products. There was also wide agreement for an exceptional use of restrictions to apply standards of classification and gradation of commodities in international commerce, subject to safeguards against their misuse for the purpose of giving disguised protection.

(d) Consideration was given to the suggestion that there should be an exception permitting import restrictions on agricultural products to the extent of restricting the domestic production or sale of like products and to remove a temporary domestic surplus by means which involved selling surplus at prices below the current market levels, and to the like effect. 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 agricultural and fisheries products. One delegate, on the other hand, took the position that the exception should cover only agricultural products. There was accordingly agreement that the suggestion might usefully be further considered at the Second Session of the Preparatory Committee.

(f) There was wide agreement for the view that restrictions on imports, imposed to match a restriction on domestic products, should not be such as to reduce the proportion of imports to domestic production below the level which might otherwise have been expected to rule, it being necessary to judge the situation not only in the light of the position at a previous period but also in the light of any changes in conditions which might have occurred since that date. The view was, however, expressed that such a rule might weigh unduly on the domestic producers, since the importers in other countries might be more readily able to find alternative markets for the product which were en route at the time at which public notice was given of the restrictions should not be excluded, though they might be counted against any quotas in the import territories so far as the restriction might reasonably be considered as the stuff of which an exception of the like kind should be made.

(g) 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 costs of production or so as to maintain 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 amendments would exceed the scope of the exception to an undesirable degree.

(h) 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.

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

(j) It was suggested that export restrictions should be permitted for the preservation of scarce natural resources even if there were not restriction on domestic consumption, as required under paragraph j of Article 32 of the United States Draft Charter. While it was recognized that there might be need for such an exception, it was at the same time realized that the view was widely expressed that such an exception, unless subject to sufficient safeguards, might unrightly restrict access to raw materials. It was generally agreed that this suggestion might usefully be further considered at the Second Session of the Preparatory Committee.

(l) It was suggested by one delegate that restrictions on exports should be permissible for the safeguarding of living standards, for the facilitation of industrial development and, therefore, to safeguard the position of state-trading enterprises operated under other articles, and that import restrictions should be permissible for the enforcement of governmental measures to regulate domestic production, consumption and distribution, and so as to maintain a balanced development of the various economic activities of a nation in the process of industrialization. After discussion of this suggestion, there was wide agreement in the Preparatory Committee that it was already adequately covered in the provisions of Chapter IV and by the proposals made with regard to the use of import restrictions under Article 26 to safeguard the balance of payments.

(m) Some delegates announced that, because they thought that the procedure laid down was inappropriate, they would propose an addition to paragraph (c) of Article 25 to include another exception to the general rule against export restrictions in order to permit such restrictions to apply standards of classification and gradation of commodities in international commerce, subject to safeguards against their misuse for the purpose of economic development as a protective measure provided that they were less restrictive in their effect than other forms of protection and provided that they were not subject to such limitations and exceptions as might be laid down, purposewise by the Organization." Other delegates, however, considered that the procedure laid down was appropriate.

(n) The Preparatory Committee considered the question of the treatment of certain existing preferential arrangements which were established under international agreements but not effectuated by the normal method of a difference in rates of duty. In these special circumstances it is recommended that any such arrangements remaining after the negotiations to commence on 8 April, 1947 should be dealt with by a provision 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 either:

(i) an arrangement under Chapter V, if the members concerned desire that the product should be made the subject of such arrangements;

(ii) an old arrangement regarding the matter between the members concerned.

(o) 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 agreed that the concessions or lack of concessions in respect of the items concerned would, for purposes of assessing the results of the negotiations, stand on the same footing as concessions 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 may be a temporary surplus of the 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 the unnecessary use of import restrictions. It is thought that countries should undertake to observe certain principles in the use of such import restrictions, and that, since the fundamental object 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, it was argued, in order 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 cases where the proceeds 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 a proper extent and at a proper rate to meet a strain on its external position, a country which has high reserves may, nevertheless, have future commitments or probable drains 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 was 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, import restrictions, the purpose of which was 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 the members and the Organization in order to ensure that members should, on the one hand, not be allowed to apply import restrictions in such a way as to use these rules as a means of shielding their exports from competition, and, on the other hand, should be able to apply import restrictions in such a way as to use them to safeguard a member's external financial position. It was generally agreed that a first stage in this process should be consultation with any member which is already imposing restrictions. It is also considered that the Organization should, within two years of its institution, review all 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 the 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 positions of members. It is thought that a member, which was considering the imposition of restrictions for consultation with 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.

(h) It was widely agreed that a first stage in this process should be consultation as to the nature of a country's external financial position improved. It is also considered that the Organization, if, at every stage, it is satisfied that the complaining member has made out its case, 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 prevent another member thereafter from bringing a complaint and the restrictions were being applied in a manner which unnecessarily damaged its commercial interests.

(i) Similarly, a member may seek the previous approval of the Organization, not in relation to any actual restrictions which it proposes 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 if external financial difficulties arise during an agreed period ahead be reasonably expected to allow its monetary reserves to fall below an agreed figure.

(j) The Preparatory Committee considers that it should be open to the member to which restrictions are being applied to consult with 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 unnecessary. It was generally agreed that considerations of this kind should not be allowed to apply the restrictions for a given period, but that the member should be able to have a period of consultation with the Organization before proceeding with such restrictions. It was also generally agreed that, in order to avoid unnecessary damage to the commercial interest of other members, import 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.

(k) It was generally agreed that a member imposing restrictions on balance of payments grounds should be permitted to select imports for restriction in such a 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.

(l) The Preparatory Committee agreed that if there were a persistent and widespread application 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 could 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 international organization to remove the underlying disequilibrium.

(m) 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 than 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.

(n) There was general agreement for the view that in the early years after the war the Organization, in carrying out its functions under this Article and under Article 28, should proceed with caution and with the object of limiting with which the members would be confronted in varying degrees.

(p) It is to be noted that under sub-paragraph (2) (a) of Article 26 a country can apply quantitative import restrictions in order to conserve foreign exchange in the event 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 a country, which is threatened with a serious decline in its reserves and which has heavy external payments to meet in the near future, can protect its external position for a limited period by imposing import restrictions in the same general manner as described above.

(q) In paragraph (2) of Article 26 it is recognised that "members may need import restrictions as a means of safeguarding their external financial position . . . particularly in view of their increased demand for the imports needed to carry out their domestic . . . development
policies” and in sub-paragraph (3)(e) of the same Article it is laid down that “. . . shall not recommend . . . the maintenance of or (in the case 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 . . . development . . . policies”, so that a member cannot be required to modify its domestic development plans on the grounds that they impose a strain on its balance of payments and thus make control of imports necessary.

(r) In paragraph (4) of Article 26 it is expressly laid down that “A Member may select import restrictions for reason of supply; these commercial principles might be applied in advance for the importation of the product in question.” 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.

(a) Wherever possible a global quota should be fixed in advance for the importation of the product in question;

(b) Where (i) is not practicable, restrictions might be applied by import licences without a global quota;

(c) Whether 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;

(d) Where (ii) 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 to enter into inter-governmental commodity agreements under the commodity policy provisions of the Charter or in order to carry out inter-governmental commodity agreements under the commodity policy provisions of the Charter or in order to carry out inter-governmental commodity agreements under the International Monetary Fund.”

* See sub-paragraphs (1) (c) and (i) 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 not convertible, would be unlikely to restrict trade substantially because of the limited import capacity of countries with convertible currencies, and that consequently the additional purchase of imports from country B might have a greater effect on the volume of world trade than the full application of non-discrimination. It was furthermore argued that any provisions made to deal with this general problem should also cover the dangers of multilateral trade and discriminatory practices accumulated before the entry into force of the Charter.

(h) It was agreed that in any case members should be entitled to attach such conditions to their exports as would be necessary to ensure that an exporting country would receive for its exports its own currency or the currency of any member of the International Monetary Fund specified by the exporting country and thus avoid the danger of being, in effect, compelled to accumulate balances of inconvertible currency.

(i) It is considered that there must be some provision also to deal with the corresponding import problems, but it is felt that there are serious objections to the exception from the rule of non-discrimination even during the post-war transitional period. If such a period is at all prolonged, it would permit the establishment of artificial and discriminatory restrictions which generally would effectively prevent the development of multilateral trade, a central objective of the Charter. It was argued that such arrangements would tend to become prolonged, and hence the danger of being, in effect, delay the achievement of sound and lasting equilibrium in the balances of payments of the countries with convertible currencies and would thus postpone for an indefinite period their ability to make their currencies convertible. On the other hand it was argued that if countries with convertible currencies had to face the full rigour of international competition, they would be forced to abandon the short term import restrictions to a degree which would seriously impair their prospects of recovery. It was further contended that the existence of some provision to enable countries with convertible currencies to discriminate in their imports would encourage countries with inconvertible currencies to take the risk of accepting convertibility at an earlier stage than they would have otherwise been prepared to do.

It was generally agreed that the difficulty may be solved by permitting discriminatory import restrictions under the two following conditions, both of which would have to be fulfilled:

(i) that the discrimination should only be, in the member's view, to the maximum level which would be possible in the absence of the discrimination. The intensity of the import restrictions, which a member is permitted to impose under Article 26, is determined by the pressure upon its monetary reserves. This fixes the amount of imports which it can afford from countries with convertible currencies. The purpose of this provision is to ensure that a member will purchase as much as it can afford from sources in countries without becoming a member of the Organization, and that it will not be permitted to discriminate unless this would enable it to secure additional imports from countries with inconvertible currencies. It would be thus impossible for a member to decrease its total imports from countries with convertible currencies by discriminatory restrictions.

(ii) that the discrimination should either correspond to exchange restrictions permissible under the Articles of Agreement of the International Monetary Fund or should be annexed to an application for membership of the Organization in agreement with the International Monetary Fund, which is the inter-governmental organization which is competent in this field. The member would not be entitled to impose discriminatory import restrictions which did not have equivalent effect to exchange restrictions permitted to the member under the Articles of Agreement of the International Monetary Fund, or under any other provision of the Charter, or any such discriminatory restrictions as the member and the Organization*. If a member was not imposing exchange restrictions, it would be able to impose discriminatory import restrictions in special circumstances only with the prior approval of the Organization in agreement with the Fund.

* See sub-paragraph 4 (e) of this Section.
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.

It is generally considered appropriate that any member of the Organization, which is not also 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 purposes common to the Organization and the Fund would not be frustrated as a result of 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 were 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 25 of the United States Draft Charter is to give members, whose interests are prejudiced, the opportunity, after full national consideration of their case, to obligate 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.

(c) In view of the fact that export subsidies are remarked on, as being more likely to distort trade than so-called "domestic" subsidies, 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 modifications 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 25 of the United States Draft Charter are as follows:

(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 (1) of the revision is used in a broad sense to indicate maintaining the subsidization at as low a level as possible, and the gradual reduction in subsidization 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 (1) 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 the beginning of the same paragraph.

(v) The words added at the end of the second sentence of paragraph (3) of the revision were added to prevent it from appearing that it is intended that the drain on the Fund by payments to producers from the proceeds of domestic taxes from which export products are exempted is looked upon as "domestic" rather than export subsidies. The added words are: "or to which they are attached, are essential explanatory of part of the first sentence of paragraph (2)."

(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 (2) of the revision is associated with a discussion of possible results of the determination mentioned in the following sentence. It is felt that under certain circumstances some export subsidies might be justified as being consistent with the objectives of the Charter.

(vii) It was considered whether the words "the like product" in the first sentence of paragraph (2) could be construed in such a way as to permit escaping the provisions of the paragraph by including the product which originally a subsidizing member undertook to provide the Organization with the information necessary for reaching such a decision.

(viii) Certain delegates felt that the period of three years prescribed in the third sentence of paragraph (2) 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 judging the effect of such a shortening on their domestic legislation.

(ix) One delegate made the following reservation in regard to paragraph (2): "The adoption or maintenance of subsidies or similar measures to promote the production of primary products as a means of exportation of such products or the subsidization of duties in a member country which has suffered from a chronic adverse balance of payments should be allowed until such a time as its equilibrium in the balance of payments has been reached. In this question of such measures may be reconsidered through consultation by the countries concerned." This delegate also suggested that paragraph (3) of the revision should be amended so that the "end of the period of world trade, whether or not in conflict 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 part of a burdening 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 (3) 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 control or other means, the export subsidy is reduced so as not to prejudice the interest of members. Some delegates thought that this was implicit in paragraph (2) and that the explicit exemption under paragraph (2) might make the phrase in paragraph (3) more difficult to understand, and, as a result, to the detriment of the paragraph, so as to cover other legitimate exceptions. Accordingly empty square brackets were added at the end of the new paragraph to indicate that suggestions may be necessary to cover exceptional cases.

(xi) One delegate raised the question of whether the comparison made in paragraph (3) should not be between the export price and the price paid to domestic producers, and requested that a later opportunity be given to consider this matter.

(xii) Sub-paragraph (4) (a) of the revision indicates that the "like product" with special 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 (1) or (2). 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 30 in connection with Chapter VII and with paragraph (9) of Article 36, with a view to simplifying the texts in question. They are intended to provide firstly, 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 a year or thereafter, and secondly, an adequate consultative procedure for dealing with non-primary products according to the general intentions of Article 30 expressed in the opening sentence of this Section.
(xiii) One delegate announced that he would reserve his position regarding the provisions of sub-paragraphs (b) and (c) of the resolution.

(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 be modified so as to refer to goods only. Hence the words "or services" were deleted in the first paragraph.

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, on the whole, acceptable to the Preparatory Committee, subject to the following modifications:

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

(ii) In paragraph (2) 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 effective control over the operations of such enterprise.

In order to make their point of view clear these delegates wished to add in square brackets the word "and" exercises effective 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 effective 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-discrimination are recommended and which are listed below, serve as a reminder to include "differential customs treatment".

(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 fulfill the requirements of paragraph (a). It was suggested that such an enterprise might be called upon to provide more information than a private enterprise trading under the same or similar conditions. Accordingly, the last sentence of paragraph (i) 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 as 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 the rule of "fair and equitable treatment" should apply but that in applying it full regard should be given to all relevant circumstances.

The question was raised whether purchases on the basis of the so-called "tied loans" would be considered to conform with this rule. The view was expressed that a country held that a member 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 in the last paragraph of Article 31. For greater clarity, the words "directly or indirectly" were deleted and the words "effective control" were 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 are listed below, serve mainly 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 suppliers in member states" was substituted for the words "the price at which such product is offered for sale to the monopoly by foreign suppliers," since it is considered that a mere offer does not provide a firm basis for the calculation of the margin. A similar change was made in respect of the fiscal monopolies. If local duties, or duties, of such products purchased by state monopolies are subject to customs duty, it was considered appropriate to choose a definition which, while taking into account all costs up to the moment of entry into the country (including internal taxes, transportation and distribution). The Preparatory Committee agreed, however, that it would be open to countries to negotiate, if they wished, a margin representing the difference between the price at which such product (i.e. including internal taxes, costs of distribution and transportation etc. and, where appropriate, profit) and the monopoly's first-hand selling price in the home market.

(d) It is considered that, when calculating the margin under (b) of the definition of "negotiable margins," allowance should be made for a margin of profit. That margin, however, should not be so excessive as to restrict the volume of trade in the product concerned. Accordingly the words "a reasonable margin of profit" were added.
thought, be dealt with under the provisions governing should apply to the practices of single monopolistic enter­
two, so far as agreements are concerned, but the procedure owned or controlled) enterprises or by a mixture of the investigation should apply equally whether the practices discharge in this field. A new paragraph was added to cover the case of such monopolies.

CHAPTER IV
Restrictive Business Practices

SECTION 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 prices, 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, includes the 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 invariably 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 would assume under other Articles of the Charter. On the other hand some delegates perceived considerable advantages in their wise use, particularly in introducing stability in industries requiring large invest­ment and thereby leading to a minimum of waste by the application of real income and on the other purposes of the Organization.

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 income 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 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 point on which the Organization should 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. government­owned or controlled) enterprise and that the complaints should apply to the practices of single monopolistic enter­prises or to groups of enterprises which are in harmony. A new paragraph was added so as to permit of accounting being taken in the case of imports, of rationing of the product to consumers, and in the case of exports, of the quantities available for export.

6. It was felt that this was the most important point on which the Organization should discharge in this field.

(h) One delegate wished to reserve his position generally upon this Article.

3. Expansion of Trade by Complete State Monopolies of Import Trade

Although the substance of Article 28 of the United States Draft Charter was not discussed, the Preparatory Com­mittee has decided that it should remain provisionally as it appears.

SECTION F
Relations with Non-Members

The Preparatory Committee considered Article 31 of the United States Draft Charter which is concerned with this subject but decided to leave the question for consideration at a later stage.

SECTION C
Studies 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 not only a divergence 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 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 might make use of the provisions 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 agreements 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 services. One delegate stated that the Chapter 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 39. 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 are such that international trade in these commodities is subject to special difficulties not generally associated with manufactured goods. These difficulties arise from inelasticities 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 aggravated by booms and slumps. To the extent, therefore, that a policy of high 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 its 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 methods 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 recognizes the need, in certain circumstances, for inter-governmental commodity arrangements and for agreement on the general principles to govern their use. It is considered inadvisable 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 rather that of 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 understood that the Preparatory Committee might 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 "agricultural 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 objectives 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 agreements might be used for regulating production, trade or prices and the special principles which 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 aim to facilitate 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. They may also aim to moderate pronounced fluctuations in prices, to 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.

6. With regard to this last objective, the attention of 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 full study and discussion of the problems relating to the commodity in question. It was, therefore, agreed that, where a commodity 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 followed up, if necessary, by a Conference of ratifying countries. This could be held at the request of the former Conference or on the initiative of the former Conference on commodity arrangements, proposed or concluded, should be given full publicity, so that all interested parties may be fully informed of the measures taken and of the progress achieved in the correction of the underlying difficulties. Where it is agreed that adequate information is already available about a commodity, a Conference may be convened by the Organization on the initiative of a study group or commodity conference.

2. The general procedure envisaged by the Preparatory Committee is that the first step in the development of a commodity arrangement would be the setting up of a study group, the second, the convening of an International Conference, and finally the establishment of a study governing 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 countries. Finally, when the commodity arrangement has been agreed upon, it should be open initially to participation by all member countries. It may subsequently be opened to non-member countries as may be invited by the Organization, since, if 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 arrangements. It is recommended that the Drafting Committee should set the matter under consideration under Chapter VI as an exception to the operation of paragraph 2 of Article 31.

3. The question of the relationships between the Organization and specialized agencies interested in particular commodities was discussed. The Preparatory Committee agreed that the terms of reference of such 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 primary commodity be made. They may also be invited to participate in the work of a study group or a Commodity Conference. It was further agreed that when a commodity arrangement is eventually agreed upon, any competent specialized agency may be invited by the Organization, which was authorized 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 Preparatory Committee considers that there should be adequate representation of importing and consuming countries as well as of exporting and producing countries. It was agreed, however, to ask the Drafting Committee to give further consideration to this question in the light of the Preparatory Committee's desire to give appropriate voice to:
   (a) countries substantially interested in the production or consumption of a commodity but not in its import or export; and
   (b) countries which are both large exporters and importers 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 exporters should be equal. It is felt that this was the only way in which the principle of equality of voice between importers and exporters could be adequately protected. One delegation was strongly of the opinion, however, that equality of voice between importers and exporters should not be required, but that the voting, should be based upon a method of equitably proportionate to the number of votes of the exporting countries, in order that the interests of exporters and importers shall be duly protected.

6. The Preparatory Committee stresses that commodity arrangements should be designed, so far as 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 surplus, which is not prevented by market forces alone, when a burdensome surplus and shortage which need to be corrected, or a surplus which is not expected to develop, causing hardship to producers, many of whom are small producers, or where special difficulties have arisen, or are expected to arise, to the detriment of the consumers concerned. It was agreed 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 in the interests of the countries referred to in the preceding sentence.

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 informed of the measures taken and of the progress achieved in the correction of the underlying difficulties.

* See Article 36 of the Charter.

See Verbatim Record of the Eighth Meeting of Committee IV.
and, if so requested, a non-voting chairman. The rules and regulations of the Councils 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.

5. The Preparatory Committee agreed that regulatory agreements 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 through the Charter. The Preparatory Committee, therefore, is of the opinion that disputes arising out of intergovernmental commodity agreements and not settled in the Commodity Council should be subject to Article 86 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 proposed 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.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Function</th>
<th>Suggested Authority within Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 48, Paragraph (2).</td>
<td>Invitation to certain members and non-members to appoint representatives to a study group.</td>
<td>Executive Board on the recommendation of the Commodity Commission; the latter will carry out actual administrative arrangements for the study group.</td>
</tr>
<tr>
<td>Article 48, Paragraph (3).</td>
<td>The study group makes recommendations to the Organization as to how best to deal with difficulties.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 49, Paragraph (1).</td>
<td>Convening of Commodity Conference.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 49, Paragraph (2).</td>
<td>Invitation to non-members to participate in Commodity Conference.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 50, Paragraph (1).</td>
<td>Receipt of studies, or of request for studies, from specialized agencies.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 51, Paragraph (2).</td>
<td>Determination of whether terms are &quot;no less favourable&quot;. Approval of terms of subsequent participation.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 52, Paragraph (2).</td>
<td>Decision whether exceptional circumstances exist which would justify a regulatory agreement for a non-primary commodity.</td>
<td>Executive Board advised by the Commodity Commission, subject to procedures established by the Conference.</td>
</tr>
<tr>
<td>Article 54, Paragraph (3).</td>
<td>Appointment of non-voting members to Commodity Council.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 54, Paragraph (4).</td>
<td>Nomination of non-voting Chairman at request of Commodity Council.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 54, Paragraph (5).</td>
<td>Consultation regarding Secretariat.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 54, Paragraph (6).</td>
<td>Approval of rules of procedure.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 55 ...</td>
<td>Receipt of reports from Commodity Council, and requests to latter for special reports.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 57, Paragraph (1).</td>
<td>Preparation and publication of a review of operation of an agreement.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 57, Paragraph (2).</td>
<td>Disposal of archives, etc., on termination of an agreement.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 57, Paragraph (3).</td>
<td>Receipt of information regarding existing commodity arrangements; review and decision regarding continued participation.</td>
<td>ditto</td>
</tr>
<tr>
<td>Article 57, Paragraph (4).</td>
<td>Similar function in connection with negotiations.</td>
<td>ditto</td>
</tr>
</tbody>
</table>

General matters not specifically referred to in the Charter which involve the Organization will normally fall within the province of the Commodity Commission in its advisory capacity to the Executive Board.

* With reference to paragraphs (1) and (2) 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". See paragraph (6) of Article 66 of the Charter, read together with paragraph (3) of Article 66 and sub-paragraph (b) of Article 45 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

Purpose of the Organization

The Preparatory Committee considers that any discussion 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 approved. It was agreed that the original members of the Organization should be those countries represented at the United Nations. It was not certain that the instrument which accepted 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 and that while such admission might be supervised 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 prerequisite to approval by the Conference.

2. In considering the functions of the Organization the possibility was raised that thelinks 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 technical 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 on the subject would certainly not be barred, but for the most part the widest possible application was desirable. It was emphasized that the provision concerning co-operation with the United Nations in the restoration and reconstruction of member countries 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 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 members under the general commercial policy provisions of the Charter, it was suggested that this power might be given to the Conference in addition to the one already provided in the United States Draft Charter. It was stressed 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 of the conference considered the provision concerning financial 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 there was to be a scale of contributions based on the proportion of membership corresponding to the scale of contributions on the United Nations scale of contributions, it was suggested that this power should be retained. It was further suggested that the United States Draft Charter to correspond with possible 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 the determinations and recommendations provided in the Charter, one delegate desired a two-thirds majority should be required for important matters. However, it was agreed that it would be best to adhere to the broad principle that all decisions, except possibly those of a very important 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, it was made clear that 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. One delegate considered 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 will be a functional rather than a political body, it would not be democratic to permit those countries dependent on international trade to overvote 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 had been radically from their own and some of which had an effective 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 is was generally agreed that at this stage a full exchange of views was more desirable than any attempt at formal agreement.

3. Two broad alternatives to the United States Draft Charter were advanced—a system of weighted voting in the Conference 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 revised periodically to take account of the changing relative position of members—a factor which some of the precedents were irrelevant and stressed the difficulty of reaching any kind of formulae which would be acceptable to all potential members, together with the 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 Aviation Organization were quoted as precedents for a differential system in connection with membership of the Executive Board Membership may be briefly stated as follows:

(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 trade, as compared with that of countries 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 rather than on national trade than others, should have extra voting strength accordingly.
(v) National income would weigh 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 depended differed considerably from country to country.
(viii) The proposals were not clear as far as voting strength in the Executive Board was concerned.

(d) This question is referred to the Drafting Committee for the formulation 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 several of the Board, opposed the scheme for permanent seats on the Executive Board, felt that there should be provision for permanent seats on the Executive Board for members of chief economic importance. Several delegates, though favouring 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 would be detrimental to re-election of these countries was always virtually certain.

(b) A variation of the idea of permanent seats was proposed by which membership of the Executive Board would rotate, and 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 considerations should be applied in conjunction with economic. A scheme was submitted by which the seats would be allotted for five years term with eligibility for immediate re-election, to the most important trading countries within the geographical areas of Europe (2), North America (3), Latin America (2), Asia (2), Oceania (1) and Africa (1). This was opposed on the grounds that the only justification for permanent seats was the different importance of members in the international factor which was independent 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 in 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 was known. Various proportions of permanent to non-permanent seats were tentatively mentioned without any particular position 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 questioned.

(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 had 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 F**

The Executive Board—Procedure, Powers and Duties

1. 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 both of which, however, were indicative of two basic concepts, shared by the majority of delegates, as to the general 56308
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 permissive rather than mandatory the power of the Board to recommend to the Conference the admission of new members, thus emphasizing that most delegates felt should be the clearly subordinate position of the former. Similarly it was felt that the Commission, if it, should be definitely subordinate to the Board and to give added emphasis to this principle it was decided that the latter should "supervise" and not merely "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 and regulations. Although specific suggestions were made in this regard to which it was hoped due consideration would be given. These included proposals that in certain circumstances it should be possible for a minority of members of the Board or for a specialized task to be in no way questioned. There was also consideration given to the desirability of establishing commissions as an essential part of the structure of the Organization. Various views were expressed as to the more convenient form in which such commissions should be 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 election were deemed to outweigh the disadvantages, a satisfactory compromise was found by specifying that the Chairman and the other members of the Board should not 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 the individual members of the staff of the Secretariat. 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. Of course, recognized that the Chairman of the Executive Board would probably attend the Conference as a representative of his government. Nevertheless it was thought desirable to cover the contingency of his absence in such representations and that in any case, he should be entitled, under the Charter, to at least the same rights with respect to participation in the Conference as are accorded chairman 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 the members of the Board except the right to vote. At least one delegate, however, expressed serious misgivings lest this arrangement should hamper and embarrass the Board in the exercise of its functions, responsibilities and status of the Director-General and of members of commissions would need to be more carefully defined, particularly in cases where the latter were to become permanent officials of the Organization. The desirability of the Commissions having access to the Executive Board directly rather than through the Director-General is particularly stressed. At the same time, however, serious misgivings were voiced as to whether such bodies of officials of differing status should be created within the one Organization thus opening up the possibility of divided authority with attendant friction and confusion. The difficulty of attracting, as a permanent basis, of the caliber 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 profitably be pursued further until the structure of the Organization as a whole begins to take shape. Before the number of members of the Commissions, which might ultimately be required, cannot now be foreseen. Agreement was reached, however, on certain minor amendments to the relevant provisions of the United States Draft Charter. One of which is to give to those provisions a somewhat greater measure of elasticity, having regard to the uncertain requirements of the future. Subject to the views expressed given provisional character of these amendments when third phase action is taken, the Preparatory 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,* consideration 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 the secretariat, should be brought into the closest possible relationship with the United Nations, for reasons which in its opinion, outweigh the disadvantage of the Charter's 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 similar or identical 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 this 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 existence 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 Deputy Directors-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 be worked out in detail beforehand, with a view to ensuring a multiplicity of separate international organizations was already showing signs of assuming considerable proportions and that the existence of the International Trade Organization should, therefore, be kept to the minimum consistent with efficiency.

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 problems should also be taken substantially into account. The Preparatory Committee drafted a provision which is intended to give effect to this principle, and to coordinate the present position prevailing in the Charter of the United Nations. Some delegates suggested that personnel of the secretariat and Commissions 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 members of the Organization.

The Preparatory Committee also considers that specific provisions regarding nationality should not be included in the Charter, thus leaving the way open for the occasional recruitment of personnel who otherwise would not be eligible, if, 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 which 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 to the Director-General the negotiation of a formal agreement with the United Nations according to the precedent 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 operative. Some delegates agreed, however, with the general proposition that in the interests of economical and efficient administration, and for the purpose of avoiding inconsistent and even conflicting policies, it was of the greatest importance that the closest relationship 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 the matter of separate international organizations. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change. In view of the fact that the activities and responsibilities of the United Nations Organization were approved without change.

2. Legal Capacity, Privileges and Immunities

The provisions of the United States Draft Charter dealing with the matter of legal capacity, privileges and immunities of the Organization were approved without change. In view of the fact that the Secretary-General of the United Nations is under instructions from the General Assembly to consult with specialized agencies on the subject of privileges and immunities with a view to ensuring a reasonable degree of uniformity in the arrangements made for all inter-governmental 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 respect 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 open to discussion at the Conference 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 undue difficulty, several delegates thought that a number of constitutional changes, 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 elsewhere 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 the Charter (paragraph 2 of Article 79) that the jurisdiction 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 the most important of these commitments had to be made, should 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 whether a Russian text did not present itself at the First Session.

(b) Attention was called to the possibility of a special chamber for commercial cases being established under Article 26 of the Statute of the International Court of Justice. There was some doubt, however, as to whether it was necessary to separate the functions of the International Trade Organization from those of the International Court of Justice. Several delegates thought that the jurisdiction of the Organization should be final in administrative matters coming within its province and that only legal issues should be referred to judicial courts. The question was also raised whether the political-economic decisions being recognized as the Organization's own responsibility. Although it was generally agreed that the situation might arise, the Executive Board, where appropriate, to give its preliminary report, some disapproval was voiced at the idea of the Conference, where the question would be 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 justiciable 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 of Justice. The contrary view was that only justiciable 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 the Conference should be guided by the United States Draft Charter, as set out in the United States Draft Charter, as 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 continuing and not subject to reference to the General Assembly of the United Nations on each occasion. The Article concerned was redrafted to accord with the language of the Charter of the United Nations. Although the interpretation of this wording was open to question, it was thought that the meaning was that the trade question should 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 arising out of the operation of the Charter would entail the taking of the matter before the Court. It was agreed also that in view of paragraph 2 of Article 34 of the Statute of the International Court of Justice, it was desirable to enable the Conference to think of the Director-General to represent the Organization before the Court.

(b) The introduction of detailed discussion on arbitration raised considerable difficulty because delegates were by no means clear as to what kind of issues were appropriate for arbitration. A lengthy discussion took place whether administrative as well as legal questions should be referred to arbitration. It was thought that the Executive Board should await 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 to take the decision as to whether the arbitrators' decision should be final. The Drafting Committee was asked to consider these views in conjunction with the verbatim report of Committee V's discussion on the subject.

7. Entry into Force

(a) One delegate suggested that, instead of requiring a membership of twenty 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 agreements accepting its provisions. The entry of the Charter into force would 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 should 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 paragraph (3) of Article 88) might not feel inclined to join 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 the proviso to paragraph (3) of Article 88). This might prevent any matter arising out of the operation of the Charter.

(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 difficulty, it was proposed to insert a proviso to the effect that the Organization should be brought into existence as a result of agreement on the part of a relatively limited number of Governments (pursuant to the proviso to paragraph (3) of Article 88). This might prevent any matter arising out of the operation of the Charter.

8. Interim Tariff Committee

(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 this end, it was thought that the most important trading countries should be invited 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 negotiating countries 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 would then become the nucleus of the Interim 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 have accepted the Charter, the functions of the latter will vest in the Conference.

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

(c) It might be desirable for the Committee to take the position of members which 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.
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 the countries represented at the United Nations Conference on Trade and Employment which accept the provisions of this Charter by 31 December, 194... 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 such other countries as 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 on behalf of the trust territories for which 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, while 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 provided for 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.

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 Pressure
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 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.

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

(a) 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

(b) 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 labour, 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
Plans 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 VI, Section B.

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

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ARTICLE 12
Means of Economic Development

(1) Members recognize that progressive economic development is dependent upon the availability of adequate supplies of:
(a) capital funds; and
(b) materials, equipment, advanced technology, trained workers and managerial skill.

(2) Members agree to impose no unreasonable impediments that would prevent other Members from obtaining access to facilities required for their economic development.

(3) Members agree to co-operate within the limits of their power to do so, with the appropriate international organizations of which they are members in the provision of such facilities.

(4) Members agree that, in their treatment of other Members, business entities or persons supplying them with facilities for their industrial and general economic development not only with the views in to the provision of their relevant international obligations on the effect in which they may undertake pursuant to Paragraph (5) of Article 66 or otherwise, but also that in general they will take no unreasonable action injurious to the interests of such other Members, business entities or persons.

(5) The Organization shall receive from any affected Member or with the permission of the that Member from business entities or persons within its jurisdiction, complaints that action by another Member is inconsistent with its obligations under Articles 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.

(6) 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 membership in a protective coalition,
(ii) between the territories comprised in Annexure A to this Charter. Each Member to which preference (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.

ARTICLE 13
Governmental Assistance to Economic Development

(1) Members recognize that special governmental assistance may be required in order to promote the establishment or reconstruction of particular industries and that such assistance may take the form of protective measures.

(2) Members recognize that an unwise use of such protection would impose undue burdens on their own economies and unwarranted restrictions on international trade and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

(3) (a) If a Member, in the interest of its programme of development, proposes to employ any protective measures, which would conflict with any of its obligations under or pursuant to the provisions of this Charter, it shall inform the Organization, and shall transmit to the Organization any finding in support of this proposal. The Organization shall promptly inform those Members, whose trade and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

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—

- To be considered further and drafted at a later stage—see Part II, Chapter III, Section B.
resulting from such negotiations shall not require the modification of existing international obligations, except by agreement between the contracting parties or, failing that, by agreement of any of such obligations in accordance with their terms.

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

(c) The application 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.

(e) 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.

(f) If any Member considers that any other Member has, without sufficient justification, having regard to the provisions of the Charter generally, failed to give effect to the trade of the other Member any of the benefits are in fact withheld so as to result in the applicability 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 or become inadequate, in order to safeguard the 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 VII.

(e) Import restrictions on any agricultural or fisheries product, or on any other product indispensable for employment, reconstruction, development or 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 to any special factors which may have affected or may be affecting the trade in the product concerned. The Member shall consult with other Members which are interested in the trade in question and which wish to initiate such consultations.

(f) Import and export prohibitions or restrictions imposed on private trade for the purpose of establishing a new or maintaining an existing monopoly of trade for a state-trading enterprise operated under Articles 31, 32 and 33.

ARTICLE 26
Restrictions to Safeguard the Balance of Payments

(1) Members may need to use import restrictions as a means of safeguarding their external financial position and as a step towards the restoration of equilibrium on a sound and lasting basis, particularly in view of increased demand for the imports needed to carry out their domestic employment, reconstruction, development or social policies. Accordingly, notwithstanding the provisions of Article 25, Members may restrict the quantity or value of merchandise warranted 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 (2), (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 export duties except in an emergency necessary for the protection of the level of the Member’s reserves, to any commitments or other circumstances, which may be affecting the Member’s need for reserves, or to any special credits or other resources which may be available to protect its reserves.

(b) Export prohibitions or restrictions temporarily imposed to relieve critical shortages of food-stuffs or other essential products in the exporting country.

(c) Import and export prohibitions or restrictions necessary to give effect to the classification 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 or become inadequate, in order to safeguard the 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 VII.

(e) Import restrictions on any agricultural or fisheries product, or on any other product indispensable for employment, reconstruction, development or 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 to any special factors which may have affected or may be affecting the trade in the product concerned. The Member shall consult with other Members which are interested in the trade in question and which wish to initiate such consultations.

(g) Import and export prohibitions or restrictions imposed on private trade for the purpose of establishing a new or maintaining an existing monopoly of trade for a state-trading enterprise operated under Articles 31, 32 and 33.

ARTICLE 27
Section C—Quantitative Restrictions and Exchange Control

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 licences or other measures, shall be imposed or maintained by any Member on the importation of any product of any other Member, for the purpose of the protection of the economy of the other Member, unless such prohibition or restriction is necessary to safeguard domestic production, or to meet any special factors which may have affected or may be affecting the trade in the product concerned. The Member shall consult with other Members which are interested in the trade in question and which wish to initiate such consultations.

(b) Provided that restrictions under (iii) of this sub-paragraph may be imposed by any Member only after consultation with the Member interested and 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.
(ii) in the case of a Member with very low mone-
tary 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 remove them
progressively as such conditions are no longer met.

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

(3) (a) 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-
tions under paragraphs (1) and (2) are impracticable or unsuitable,
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 as evaluated by the other Members. The Organization shall invite the Inter-
national Monetary Fund to participate in such consulta-
tions. No Member shall be required during these discus-
sions 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 which is imposing import restrictions under paragraphs
(1) and (2) to indicate an alternative to any of the restrictions and shall invite a Member substantially
intensifying such restrictions to consult accordingly within
thirty days. Members agree to participate in such discus-
sions with the Oganization and, if the consultations indicate that the Oganization 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 Organization
shall, under this sub-paragraph, 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 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
restrictions 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 Organization may advise Member in respect of the maintenance, imposition or intensification of import restrictions so that in its opinion it may be practicable or suitable
for the Member in question to impose the restriction
in a manner consistent with the provisions of Articles 27 or 28, or in a manner which unnecessarily damages its commercial interests, may
bring the matter for discussion to the Organization. The
Organization shall, in discussion of the reasons for its action,
and if it is satisfied that there is prima facie case that the complaining Member's interests are adversely affected,
may, after consultation with the International Monetary Fund,
recommend to the Member in question and to the Member
in question insofar as the general extent, degree
duration of the restrictions are concerned. To the
extent to which such approval has been given, the action of
the Member in question shall, to the extent practicable,
be taken in conformity with 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
those paragraphs or of Articles 27 or 28, or in a manner which unnecessarily damages its commercial interests, may bring the matter for discussion to the Organization. The
Organization shall, in discussion of the reasons for its action,
and if it is satisfied that there is prima facie case that the complaining Member's interests are adversely affected,
may, after consultation with the International Monetary Fund,
recommend to the Member in question and to the Member
in question insofar as the general extent, degree
duration of the restrictions are concerned. To the
extent to which such approval has been given, the action of
the Member in question shall, to the extent practicable,
be taken in conformity with paragraphs (1) and (2).

(e) Wherever 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) (f).

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

(3) Subject to the provisions of Article 28, no prohibi-
tion or restriction shall be applied 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, is similarly
prohibited or restricted.

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

(a) Wherever 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) (f).

(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 connection with import restrictions (whether or not
within the limits of global quotas) shall not, save for purposes of operating quotas allocated in accordance with
sub-paragraph (d), require or provide that the licences or permits be used on a specific basis in respect of any
product concerned from a particular country or source.

(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 on the basis of the factors mentioned in paragraphs (a)
and (b) of Article 28, or in the form of a quota allocated
on the basis of the factors mentioned in paragraphs (a)
and (b) of Article 28, or in a manner which unnecessarily damages its commercial interests.

If restrictions are not withdrawn or modified in accordance with the recommendations of the Organization, and if six Members other than the Member imposing such restrictions shall be released from such obligations incurred under this Charter towards the Member applying
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 will pay
due regard to the need to restore sound and lasting equili-

(f) The phrase "inter-governmental agency or organization" is intended to include the Economic and Social Council of the
United Nations.

Conforms to Articles dealing with state-trading organizations.
ARTICLE 29

Exchange Arrangements

(1) The Organization shall seek co-operation with the International Monetary Fund to the end that 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 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 further) that a Member of the Organization, which desires 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) must provide to the satisfaction of the Organization, in collaboration throughout with the International Monetary Fund, that the purposes common to the Organization and the Fund will not be frustrated as a result of action in exchange matters by the Member in question.

(5) A Member, which has made a special exchange agreement under paragraph (3) of this Article, undertakes to furnish the Organization with such information as it may require, with a view to the early determination of any question under Section VI of the Articles of Agreement of the International Monetary Fund, in order to carry out its functions relating to this special exchange agreement.

(6) The Organization shall seek and accept the opinion of the International Monetary Fund whether or not, under the terms of the special exchange agreement, the Member in exchange matters is permissible under the terms of the special exchange agreement, which shall act in collaboration with the International Monetary Fund on all questions which may arise in the working of a special exchange agreement under this Article.

* See Part II, Chapter III, Section C, sub-paragraph 4 (d).

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Section D.—Subsidies

ARTICLE 30
General Undertaking regarding Subsidies—Elimination of Export Subsidies

(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 domestic producers of any product, which operates to increase the exports of such product or to reduce 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 problems exist as to the nature of such a subsidy or as to the conditions making the subsidization necessary, in the request of 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 exportation of any product or establish or maintain any other system, which results in the sale of such product for export at a price less than the comparable price charged for the like product to buyers in the domestic market, or prevent 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 problems exist as to the nature of such a subsidy or as to the conditions making the subsidization necessary, in the request of 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.

(3) A system for the stabilization of the domestic price of a primary product, which sometimes results in the sale of such product at a price less 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 a price higher than the comparable price charged for the like product to domestic buyers and if the system is so operated, either because of the effective limitation of production or otherwise, as not to unduly stimulate exports or otherwise to seriously prejudice the interest of other members. [*] [*]

(a) (a) In any case of subsidization of a primary commodity, whether falling under paragraph (1) or paragraph (2), if a Member considers that its interest is seriously prejudiced by the subsidy or if the Member granting the subsidy or the organization to which it is subject, such Member shall, at least three months before the expiration of that period, give 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 an indication as to the extension of the period desired. It shall then be determined whether the extension requested should be made.

(b) If it is determined that the measures mentioned in sub-paragraph (a) have not succeeded or do not promise to succeed, within a reasonable period of time, in removing or preventing the evasion of the undertaking or in reducing the effects of the subsidization, the requirements of paragraphs (1) and (2) shall cease to apply in respect of 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 Ill, Section D, paragraph (a) of sub-paragraph (1) (d).
of profit. For the purpose of applying these margins
regard may be had, in respect of imports, to average
landed costs and selling prices of the monopoly and, in
respect of exports, to average costs, domestic or foreign,
inclusive of all taxes and charges, of like or similar
products charged by the monopoly for exports and sales in
the home market respectively, over recent periods.

(2) Members newly establishing any such monopoly in
respect of any product shall not create a margin as defined
above greater than that represented by the maximum
rate of import or export duty which may have been
negotiated in regard to that product pursuant to Article 24.
With regard to any monopolized product in respect of
which a margin has been established pursuant to this Article, the monopoly shall as far as practicable and subject to the other provisions of this Charter

(i) import from Members and offer for sale at prices
charged within such maximum margins quantities of
the product as will be sufficient to satisfy the full
domestic demand for the imported product, account
being taken of any rationing of the product to con­
sumers which may be in force at that time; and
(ii) in the case of an export monopoly, offer for sale
purchasers of Members at prices charged within such maximum margins quantities of
the product to the fullest extent that they can be made available for exportation.

(3) In applying the provisions of this Article, due regard
shall be had for the fact that some monopolies are established and operated solely for revenue purposes.

ARTICLE 33

[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 foreign trade with the other
Members in consonance with the purposes of this Charter.
To this end such Member shall negotiate with other
Members an arrangement under which, in conjunction with
the granting of tariff concessions by such other Members, and in consideration of the other benefits of this Chapter, it shall undertake to import in the aggregate over a period
products of the other Members valued at not less than an
amount to be agreed upon. This purchase arrangement
shall be subject to periodic adjustment.

Section F. Emergency Provisions—Consultation

ARTICLE 34

Emergency Action on Imports of Particular Products

(1) If, as a result of unforeseen developments and of the
effect of the obligations incurred under or pursuant to this Chapter, any product is being imported into the territory
of any Member in such increased quantities and under such
conditions as to cause or threaten serious injury to
domestic producers of like or similar products (or, in the
case of a product, which is the subject of a concession
with respect to the operation of customs
regulations and formalities, quantitative and exchange
arrangements requiring an exception to the provisions of
Chapter V. Any such exception shall be subject to
consultation 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 con­
cerned. The Organization, if it considers the case serious
enough to justify such action, may authorize a Member or Members to suspend, within the time limit prescribed by other
Member or Members of such specified obligations or conces­
sions under this Chapter as may be appropriate in the circumstances. If such obligations or concessions are in
fact suspended, another affected Member may, not later than sixty days after such action is taken, to with­
draw 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 35

Consultation—Nullification or Impairment

(1) 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 and formalities, 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 opera­
tion 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 situ­
ation has arisen, which has the effect of nullifying or impair­
ing any object of this Charter, the Members concerned
shall give sympathetic consideration to such written repre­
sentations or proposals as may be made with a view to
affecting a satisfactory adjustment of the matter. If
no such adjustment can be effected, the matter may be
referred to the Organization, which shall, after investi­
gation, 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 con­
cerned. The Organization, if it considers the case serious
enough to justify such action, may authorize a Member or Members to suspend, within the time limit prescribed by other
Member or Members of such specified obligations or conces­
sions under this Chapter as may be appropriate in the circumstances. If such obligations or concessions are in
fact suspended, another affected Member may, not later than sixty days after such action is taken, to with­
draw 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 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 Traffic

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

(2) The provisions of Chapter V shall not be construed

(a) to impose a duty on goods arising out of bona
fide international transactions or otherwise,
or to provide for the payment of duties on
such goods;
(b) to impose a duty on goods arising out of
bona fide international transactions or
otherwise, or to provide for the payment of
duties on such goods, where the duties or
other regulations of commerce applicable in
the constituent territories prior to the formation of such union.

(3) Any Member proposing to enter into any union
described in sub-paragraph (2) (b) shall consult with the
Organization and shall make available to the Organization
such information regarding its proposed union as
will enable the Organization to make such reports and recom­
pendations to Members as it may deem appropriate.

(4) The Members recognize that there may in ex­
ceptional circumstances be justification for new preferential
arrangements requiring an exception to the provisions of
Chapter V. Where such exception shall be subject to
approval by the Organization pursuant to paragraph (2) of
Article 66.

* See Part II, Chapter III, Section 1, paragraph 3.

† See Part II, Chapter III, Section F.

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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 employment and of the purposes of the Organization set forth in Article I.

(2) Without limiting the generality of paragraph (1), Members agree that the practices listed in paragraph (3) below, when they are engaged in or are made effective by public or private commercial enterprises, individually or collectively, possess effective control of international commerce as between the territories of members of the union, 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, in considering the initiation or continuance or recurrence of such practices, and 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.

(3) The practices referred to in paragraph (2) are as 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 territory or relevant 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, trade marks or copyrights to matters not properly within the scope of such patents, trade marks or copyrights, or within the scope of such rights where such extensions 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) Arrange, if it considers such action to be justified, for particular Members to take part in a conference requested by another Member which considers that 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 a person, group 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, statements from commercial enterprises within its jurisdiction and then determine whether further investigation is justified.

(d) If it is considered that further investigation is justified, notify all Members of each such complaint, request the complainant or any Member 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.

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

(f) Report to all Members the findings reached and the information on which such findings have been 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 continuation 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 each action has been completed, reports on all complaints dealt with under sub-paragraph (d), showing fully the findings reached, the information on which such findings are based and the action which Members concerned might be recommended to take. Provided that publication of such reports or of any portion thereof may be withheld if it deems course justified Provided also that the Organization shall not, if a Member so request, disclose to any person confidential information furnished by that Member which would materially damage the legitimate business interests of a commercial enterprise.

(i) Report to all Members and make public if it is deemed desirable, the action which has been taken by the Members concerned to achieve the results described in sub-paragraph (f).

ARTICLE 41

Studies Relating to Restrictive Business Practices

The Organization shall be authorised to:

(a) Conduct studies, either on its own initiative or at the request of any Member, or of the United Nations or of any specialized agency, relating to restrictive business practices in international trade;

(b) Prepare and publish, as expeditiously as possible after each study has been completed, the results of such studies, including for example, statements from commercial enterprises, reports on international trade, laws, conventions, and proposals to the Organization concerning incorporation, company registration, investments, securities, prices, markets, fair trade practices, patents or copyrights, and suppressing technology, and reports on 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;

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

ARTICLE 42

Obligations of Members

(1) In order to implement the preceding Articles of this Chapter, each Member undertakes to:

(a) Take all possible steps by legislation or otherwise to ensure that private and commercial enterprises within its jurisdiction do not engage in practices which have the effect described in paragraph (1) of Article 39; and

(b) to take the fullest account of the Organization’s findings, requests and recommendations made under sub-paragraph (h) of Article 39 and in the light of its obligations under Article 39, 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.
(2) 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.

(3) 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.

(4) Furnish to the Organization, as promptly as possible and to the fullest extent feasible, such information as is requested by the Organization under sub-paragraphs (c), (d) and (g) of Article 40 and under subparagraph (a) of Article 41, provided that confidential information affecting national security or production technique may be withheld.

(5) Report, as requested by the Organization under sub-paragraph (e) of Article 40, the action taken, independently or in concert with other Members, recommendations made by the Organization under subparagraph (f) of Article 40, and, in cases in which no action is taken, to explain to the Organization the reasons therefor and discuss the matter further with the Organization if requested to do so.

(6) 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, co-operate with each other in prohibitive, preventative or other measures for the purpose of making more effective any remedy authorized by the Organization or 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) inter-governmental commodity agreements meeting the requirements of Chapter VII;

(b) the international agreements excepted in Article 59.

(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 subparagraph (1) (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 to the 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 any 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 on consumption of 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 the number of such countries is not less than two-thirds of those involved, and that the numbers of the countries in the two classes do not differ by more than one

(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 arrangement.

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

(1) A burdensome surplus of a primary commodity has developed or is expected to develop which, because a substantial price depression is likely to lead to a significant increase in consumption nor to a significant reduction of price, would not, in the absence of specific governmental action, be corrected by normal marketing forces alone in time to prevent widespread and undue hardship to producers among whom are small producers who account for a substantial portion of the total output; or

(2) 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 market forces alone in time to prevent widespread and undue hardship to workers because, in the case of the industry concerned, a substantial reduction of price 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;

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

Such agreements shall be subject not 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 49. Nevertheless Members substantially interested in the production, consumption or trade of a particular primary commodity may proceed by direct negotiation to the conclusion of an agreement, provided that it conforms to the other provisions of this Chapter, if there has been unreasonable delay in the proceedings of the Study Group or of the Commodity Conference.

(2) Under such agreements participating countries shall afford equitable treatment as between non-participating Members and participating countries, giving equitable advantages in return for the observance of equitable obligations.

(3) Participating countries shall, in matters the subject of such agreements, afford non-participating Members treatment no less favourable than that accorded to any non-Member country which does not participate in the agreement.

(4) Such agreements shall be designed to assure the availability of supplies adequate at all times for world demand at reasonable prices.

(5) Such agreements shall, with due regard to the need during a period of change for preventing serious economic and social dislocation and to the position of producing areas which may be suffering from abnormal and temporary disabilities, make appropriate provision to afford increasing opportunities for satisfying world requirements from sources from which such provisions can be supplied most effectively and economically.

(6) Participating countries shall formulate and adopt a programme of economic adjustment believed to be adequate to ensure substantial progress toward solution of the problem within the time limits of the agreement.

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 (4) 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.

(6) 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. In addition 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.
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 principle that they are part of an inter-governmental commodity arrangement, 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. Such commodity agreement, shall provide that if its operations have failed substantially to conform to the principles laid down in this Chapter, participating countries shall revise the agreement to conform to the principles set forth in the Charter. When an agreement under consideration by the Organization shall have been found to be inconsistent with the intentions of this Chapter, the Organization shall take charge over archives, statistical material and other possessions of the Commodity Council.

Article 56

Settlement of Disputes

Any question or difference concerning the interpretation of the provisions of a regulatory agreement or arising 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

(1) 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 concerning the formulation, provisions, and operation of such arrangements. Members agree to conform with the decisions made by the Organization 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.

(2) 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 transmit to the Organization appropriate information concerning the formulation, provisions, and operation of such arrangements. Members agree to conform with the decisions made by the Organization concerning 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.

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

(1) 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 multinational convention to which they have been a party.

(2) None of the foregoing provisions of Chapter VII are to be interpreted as applying to arrangements relating to fashonable 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 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.

Article 60

Definitions

(1) For the purposes of this Chapter a primary commodity is a commodity that is produced in substantial volume in the world trade in the forms in which it is sold. The term "primary commodity" may include a primary commodity on which minor processing has been performed in preparation for export. It may also include a group of primary commodities which are closely related to one another that they can conveniently be dealt with in a single agreement. Such a group may, subject to paragraph (3) of Article 52, include appropriate non-primary commodities.

(2) 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. If a Member or non-Member and its dependent territories form a group, of which one or more units are mainly interested in the export of a commodity or one or more in the import of the commodity, there may be either joint representation for all the associated territories or, where so desired, separate representation for the territories mainly interested in import and separate representation for the territories mainly interested in export.

(3) 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.

(4) 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

Organisation

Section A.—Functions and Structure of the Organization

Article 61

Functions

(1) 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 industrial and general economic development.

(2) To provide technical assistance and advice to Members and to the United Nations and other international organizations and institutions, 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 and reports 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, or of the Members, under Chapter V.

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

(c) 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 as closely related to one another that they can conveniently be dealt with in a single agreement. Such a group may, subject to paragraph (3) of Article 52, include appropriate non-primary commodities.

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

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

(f) To make recommendations for, and promote 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 arbitration 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. Special sessions shall be convoked by the Director-General at the request of the Executive Board or of a majority of the Members.

(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 acceptance, conventions and agreements with respect to any matter within the competence of the Organization. Each Member undertakes that it will, within eighteen months after such recommendation by the Conference, make a decision upon it. Each Member shall notify the Director-General of the action taken and, in the event of rejection of such recommendation, shall furnish a statement of the reasons therefor.

(6) The Conference shall establish procedures for making the determinations provided for in Article 30 and in paragraph (3) of Article 52, whereby any such determination 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 (d) of Article 28, paragraph (2) of Article 34, and Article 35.

(8) The Conference may, by the affirmative votes of two-thirds of its Members present and voting, adopt 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 24.

(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... 1947... 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 Conference 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 fifteen 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 fifteen 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 first 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

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

(2) 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 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.

(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 within its competence and to participate, without the right to vote, in the deliberations of the Board.

(5) Each member of the Executive Board shall have one representative and may appoint alternates and advisers to its representatives.
(3) To advise the Executive Board as to information and other materials to be obtained from Members or other sources in the discharge of the duties and responsibilities of the Commission.

(4) To perform such other functions, pursuant to the objectives of Chapter VI as may be assigned to it from time to time 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 deems 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. His powers, duties, terms and conditions of office shall be in accordance with regulations approved by the Conference and by the chief administrative officer of the Organization, 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 Organization. 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 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 such as to be effective on approval of the agreement by the Conference.

ARTICLE 81

Relations with other Organisations

(1) The Organization shall be brought into relationship with the United Nations, as soon as practicable, 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 82

International Responsibilities of Personnel 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 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.

(2) 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 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 establishing 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 on 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

* See Part II, Chapter V, Section D, Paragraph 6.
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 with­
draw, 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 or difference concerning the inter­
pretation 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 con­
sent 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 59 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
Members accept the jurisdiction of the Court in respect of
any dispute submitted to the Court under this Article.

(4) The Organization may, in accordance with para­
graph 2 of Article 96 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 its share of 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 govern­
ments represented at the United Nations Conference on
Trade and Employment, which have deposited acceptance
pursuant to paragraph (2), 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,
if this Charter shall not have entered into force by
31 December 1945, any of the governments which have
made effective the General agreement on Tariffs and
Trade dated ............................., 1944, 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 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, either on its own behalf or on behalf
of an overseas territory, which is self-governing in the
respect mentioned in paragraph (4) of Article 88, by written notification addressed to the
Secretary-General of the United Nations in accordance
with the provisions of paragraph (2). The Secretary-
General will immediately inform all other Members of the
Organization.

(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 14.

1. Countries of the British Commonwealth of Nations. The United Kingdom of Great Britain and Northern
Ireland and its dependent territories,
Canada,
The Commonwealth of Australia and its dependent
territories,
New Zealand and its dependent territories,
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 an 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 Committee 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. Fletcher, Chief, Trade Relations and Trade Treaties Branch, Department of Trade and Customs.

BELGIUM-LUXEMBOURG
Mr. Van de Kerckhove d'Hallebast, Minister Plenipotentiary (Head of Delegation).
Mr. A. Le Bon, Director-General of Customs.
Vicomte du Parc, Principal Inspector, Ministry of Economics.
Mr. G. Mostin, Director, Ministry of Agriculture.
Mr. C. Roger, Belgian Economic Mission in London.

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

CANADA
Mr. H. B. McKinnon, Head of Delegation, Chairman of Tariff Board.
Mr. D. Sim, Deputy Minister of Customs and Excise.
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 Tariffs Division, Department of Trade and Commerce.
Mr. F. A. McGregor, Commissioner of Combines, Department of Justice.
Mr. S. D. Fierce, 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 Videla, Consul-General of Chile.
Senor don Manuel Merino, Director of the Agricultural Bank.
Senor don Manuel Fredes, Secretary-General of the Chilean Development Corporation.
Senor don Raul Fernandez.
Senor don Harold Biggs.
CHINA
H. E. Dr. Wunze 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. Tung, Counsellor, Ministry of Finance.
Mr. K. S. Ma, Member, Tariff Commission, Ministry of Finance.

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

CZECHOSLOVAKIA
H. E. Zdenek Augenthaler, Envoy Extraordinary and Minister Plenipotentiary Czechoslovak Ministry of Foreign Affairs, Chief of Economic Department.
Mr. Max Bitterman, 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 Benes, Counsellor, Czechoslovak Ministry of Finance, Tariff Department.
Mr. Augustin Sabol, Counsellor, Czechoslovak Ministry of Industry, Foreign Trade Department.
Mr. Zdenko Blazej, Czechoslovak National Bank, Chief of Research Department.
Mr. Jan Pav Kopecky, Counsellor, Czechoslovak Ministry of Agriculture, Foreign Trade Department.
Mr. Karel Bala, Managing Director, Czechoslovak Supply Company in London.
Mr. Otakar Vojta, First Secretary to the Czechoslovak Embassy in London.
Mr. Bohumil Bayer, Counsellor, Czechoslovak Ministry of Foreign Trade Planning Dept.
Mr. Eugen Gasser, Counsellor, Slovak National Council.
Mr. Peter Zatko, Counsellor, Slovak National Council.

FRANCE
M. Hervé Alphand, Head of Delegation, Director-General, Ministry for Foreign Affairs.
M. Roger Nathan, Director of Foreign Economic Relations, Ministry of National Economy.
M. Pierre Baraduc, Chief of Service, Ministry for Foreign Affairs.
M. Robert Marjolin, Assistant Commissioner for Economic Planning.
M. Roger Joffet, 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. Jean de Sally, Commercial Adviser, French Embassy, London.
M. Olivier Wormser, First Secretary, French Embassy, London.
M. Pierre Escoube, Technical Adviser, Ministry of National Economy.
M. Ernest Lecayer, Ministry of Foreign Affairs.
M. Charles Igniet, Chief of Service, Ministry for Industrial Production.
M. Theodose Bossuat, Director-General of Customs.
M. Louis Roux, Administrator of Customs.
M. Pierre Dieteren, Ministry of National Economy.
M. Emile Royer, Ministry of National Economy.
M. Alexandre Kojève, Ministry of National Economy.
M. Gaston Donné, Ministry of National Economy.
M. P. Demondion, Ministry of Labour.

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

Dr. 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. C. Mulherkar, Secretary of the Federation of Indian Chambers of Commerce and Industry.

LEBANON
Mr. George Hachem, Alternate Delegate to Economic and Social Council.
Mr. Nadim Dimechkie, Commercial Counsellor to Lebanon Legation, London.

NETHERLANDS
Dr. A. B. Speckenhrink, Head of Delegation, Ministry of Economic Affairs, The Hague.
Dr. L. J. Götzten, Ministry of Overseas Territories, The Hague.
Mr. W. H. van den Boege, Ministry of Finance.
Mr. A. Van Kleefens, Ministry of Economic Affairs.
Mr. Phoa Liong Gie, Ministry of Overseas Territories.
Mr. C. N. Pool, Ministry of Agriculture, Fisheries and Food.
Professor Dr. J. Timmerman, 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 Waard, Ministry of Overseas Territories.
Baron C. A. Bentinck, Administrator, Ministry of Overseas Territories.
Mr. W. G. F. Jongejan, Chairman of the Council for Commercial Enterprise, Netherlands East Indies.
Mr. E. M. D. Koning, Director for Commercial and Industrial Policy of the Ministry of Economic Affairs.
Mr. S. Korteweg, Administrator, Director-General for Foreign Economic Relations.
Dr. C. C. L. J. M. Egenraam, Agricultural Counsellor, Netherlands Embassy, London.
Mr. D. M. de Smit, Commercial Counsellor, Netherlands Embassy, London.
Mr. A. Treep, Financial Counsellor, Netherlands Embassy, London.
Mr. P. A. 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. F. W. Lawrence, Official Representative in London of the N.Z. Customs Department.
Mr. G. Laurence (Secretary to Delegation), Department of Industry and Commerce.

NORWAY
Mr. H. E. M. Erik Colban, Head of Delegation, Norwegian Ambassador in London.
Mr. J. Moberg, Commercial Counsellor to the Royal Norwegian Embassy in London.
Mr. Johannes Brunaes, President of the Federation of Norwegian Industries.
Mr. Erling Steen, Former President of the Norwegian Federation for Trade and Commerce.
Mr. Bjarne Boerde, Director of the Norwegian Export Council.
Mr. Johannes Dannevig, Director of Customs and Excise.
Mr. Bjarne Robberstad, Chief of Division in the Norwegian Ministry of Supply.
Mr. Thor Skrindo, Chief of Division in the Directorate of Employment.
Mr. Harald Elstad, Chief of Division in the Directorate of Price Control.
Mr. Arne Jepsen.

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. Heyderveld, Department of Agriculture.
Mr. J. M. Chater, Department of Customs and Excise.
Mr. W. C. Naudé, Economic Adviser to the High Commissioner in the United Kingdom.
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. — (a) 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 15 February 1946, setting up the Preparatory Committee.

16. Other items.
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 advisers 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 thereon 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 as such and not as the representative of the member by whom he was accredited. The Preparatory Committee shall permit an alternate representative to represent that member in the meetings of the Preparatory Committee and to exercise its 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 replaces, 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.
CHAPTER VII LANGUAGES

Rule 28
If two or more amendments are moved to a proposal, the Preparatory Committee shall vote first on the amendment furthest removed 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

Rule 30
Each member of the Preparatory Committee shall have one vote.

Rule 31
Decisions of the Preparatory Committee shall be made by a majority of the members present and voting.

Rule 32
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.

Rule 33
The vote of each member participating in any roll call and any abstentions shall be inserted in the record.

Rule 34
When the Preparatory Committee is deciding a question relating to individuals, a secret ballot shall be taken.

Rule 35
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.

Rule 36
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

Rule 37
Chinese, English, French, Russian and Spanish shall be the official languages of the Preparatory Committee, and English and French the working languages.

Rule 38
Speeches made in either of the working languages shall be interpreted into the other working language.

Rule 39
Speeches made in any of the other three official languages shall be interpreted into both working languages.

Rule 40
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.

Rule 41
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.

Rule 42
Summary records shall be drawn up in the working languages. A translation of the whole or any part of any summary record into any of the other official languages shall be furnished if requested by any representative.

Rule 43
The Journal of the Preparatory Committee shall be issued in the working languages.

Rule 44
All resolutions, recommendations and other formal decisions of the Preparatory Committee shall be made available in the official languages. Upon the request of any representative, any other document of the Preparatory Committee shall be made available in any or all of the official languages.

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

Rule 45
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.

Rule 46
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.

Rule 47
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

Rule 48
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.

Rule 49
Verbatim records of the meetings of the Preparatory Committee and its committees shall be kept by the Secretariat. One copy of the record of each meeting shall be sent as soon as possible to all representatives.

Rule 50
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

Rule 51
The meetings of the Preparatory Committee shall be held in public unless the Preparatory Committee decides that a meeting shall be held in private.

Rule 52
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.
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

Hereby resolves to convene a Second Session at Geneva on 8 April 1947, which shall consider, inter alia, Items 11, 12, 13 and 15 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.

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 there remains a division of general views and preparing suggested drafts covering such uncompleted 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 despatch 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.

Resolution Regarding the Negotiation of a Multilateral Trade Agreement Embodying 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" and

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 to 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 abovementioned

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 Interim Co-ordinating 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.
**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 tariff preferences. The negotiations among the members of the Preparatory Committee should, therefore, be directed to this end and every effort should 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 margin of preference, 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 the subject of a tariff concession by a particular country. If it is decided to grant a concession on the 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 to be 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 industries.

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 31 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 in the light of the principles set forth in Article 31 of the Charter—state-trading margins under Article 31 of the Charter.

**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 in the negotiations:

(a) Prior International commitments shall not be permitted as a way of stopping 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.

(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 in principle be recognized as 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 is a number of additional questions which should be borne in mind in preparing for or conducting tariff negotiations among the members of the Preparatory Committee.

**Base Date for Negotiations**

1. Paragraph (1) of Article 14 of the Charter would except from the most-favoured-nation provisions "... which do not exceed the preferences remaining after..." negotiations. This means that all margins of preference shall be reduced after the negotiations, and 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 14, 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 contracting parties, and as close as possible to the close of the negotiations. However, the discussions during the First Session of the Preparatory Committee indicate that the establishment of a common date presents certain difficulties and may not be practicable. It is, therefore, suggested that immediately following the close of the First Session 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 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 will tend to prejudice the success of the negotiations in achieving 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 tariff increases under this paragraph.

**Principal Supplier Rule**

1. It is generally agreed that the negotiations should proceed on the basis of 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 particular member of the Preparatory Committee supplies a principal part of the total imports of the product.

3. In other words, if a principal part of total imports of a particular product into the territory of a particular member is supplied by the other 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 supplies a principal part of the total imports of the product.

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 form of the tariff schedules of each member, each schedule setting forth a description of the products and of the maximum (concession) rates of duty thereon which would be applicable in respect of the imports into a particular country. In this way each member of the Committee, taken by itself, supplies a principal part of the total imports of the product.

2. The multilateral form of the tariff schedules is designed to provide multilateral protection, to assure tariff concessions in the form of bilateral agreements, to assure certainty of broad action for the reduction of tariffs and to give to countries a right to tariff concessions on particular products which such countries might wish to obtain, but could not obtain under bilateral agreements, because of their relatively less important position as a supplier of the product concerned.

* If the principles indicated in Article 33 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 annually products valued at not less 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 only if the various factors are brought to bear sufficiently to enable all the varying factors to be taken into account.

Status of Preferential Rates of Duty

1. The formulation by each of the 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 preferred 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, as soon as possible and preferably not later than 31 December 1946, a preliminary list of concessions which it proposes to request of such other member. This list should set 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.

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.

(b) 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 the later than 31 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 members 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 with the concession 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 ordinarily 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 it proposes to enter into a preferential arrangement.

(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 United Nations Secretariat may have adequate notice to prepare for such scheduling, it would be desirable for each member of the Committee to notify the Secretariat, as far in advance as may be practicable, of the number of negotiating groups, which the member proposes to send to the negotiating meeting, 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 arises 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 should be entitled to receive, 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.

3. 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 general draft which will enable each schedule containing concessions granted to all of the other members in their own right. These schedules might be identified as follows:

<table>
<thead>
<tr>
<th>Names of Country</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Schedule I</td>
</tr>
<tr>
<td>Bolgo - Luxembourg - Netherlands Customs Union, Belgian Congo and Netherlands Overseas Territories</td>
<td>Schedule II</td>
</tr>
<tr>
<td>Brazil</td>
<td>Schedule III</td>
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<tr>
<td>Canada</td>
<td>Schedule IV</td>
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<td>Chile</td>
<td>Schedule V</td>
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<td>China</td>
<td>Schedule VI</td>
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<tr>
<td>Cuba</td>
<td>Schedule VII</td>
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<tr>
<td>Czechoslovakia</td>
<td>Schedule VIII</td>
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<tr>
<td>France and French Union</td>
<td>Schedule IX</td>
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<tr>
<td>India</td>
<td>Schedule X</td>
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<td>New Zealand</td>
<td>Schedule XI</td>
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<tr>
<td>Norway</td>
<td>Schedule XII</td>
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<tr>
<td>Syro-Lebanese Customs Union</td>
<td>Schedule XIII</td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>Schedule XIV</td>
</tr>
<tr>
<td>*Union of Soviet Socialist Republics</td>
<td>Schedule XV</td>
</tr>
<tr>
<td>United Kingdom and the overseas territories for which it has international national responsibility</td>
<td>Schedule XVI</td>
</tr>
<tr>
<td>United States</td>
<td>Schedule XVII</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 will not 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 sub-divided, schedules may be necessary for the use 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 essential to safeguard the value of the tariff concessions and such other provisions as may be appropriate. The Agreement should also provide a mechanism under which the signatory governments could make any adjustments in the Agreement which may be desirable or necessary in the light of the action taken by the International Conference on Trade and Employment of the question whether they should extend the membership of the Organization.

3. The General Agreement on Tariffs and Trade should be signed and made public at the close of the Conference on the condition that the Agreement should contain a provision under which the signatory parties undertake to take such action as may be desirable or necessary in the light of the action taken by the International Conference on Trade and Employment of the question whether they should extend the membership of the Organization.

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 generalized 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. It is proposed, therefore, not to accept the obligations of Article 24.

Section I.—Creation of a Provisional Agency pending the Establishment of the International Trade Organization

Certain of the provisions of the General Agreement on Tariffs and Trade, for example, those incorporating Article 24 (Establishment of a Provisional Agency for Particular Products) and Article 35 of the Charter (Nullification or Impairment), will require for their successful operation the existence of an international body. It is proposed, therefore, that the Preparatory Committee, which carries with it the provisions of the Charter, should have the function of determining whether (with respect to any negotiations among the members of the Committee) it is expedient to authorize the establishment of the International Trade Organization.

Section 1.—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 establish a Committee of 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 function of determining whether (with respect to any negotiations subsequent to those culminating in the General Agreement on Tariffs and Trade) any member of the Organization should be included in its consultations with the original members of the Interim Tariff Committee. Thus, what is achieved by way of tariff action in the General Agreement on Tariffs and Trade will become the standard to which the Organization's activity will 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.

(a) A member of the Organization may be admitted to membership in the Committee when the member has completed tariff negotiations comparable in scope and effect to those concluded in the case of the original members of the Committee.

(b) Since it is agreed that the original members of the Interim Tariff Committee will have taken adequate steps toward fulfillment 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), the Committee may not authorize one original member to withhold tariff concessions from another original member of the Committee.

(c) 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 to which it is not a member.

Procedure for Broadening Membership in the Interim Tariff Committee through Additional Tariff Negotiations.

1. Procedures must be developed for assuring, by negotiation, the close and effective collaboration of countries in the elimination of preferences by members of the Organization, 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 approaches have been suggested for consideration:

(a) The original members of the Interim Tariff Committee would negotiate separate bilateral agreements with members of the Organization, which are not members of the Committee, to eliminate such agreements between themselves.

(b) A member of the Organization, which is not an original member of the Committee, might offer to negotiate with the Committee a multilateral schedule of concessions similar in scope and legal application to the schedules and terms; or (c) Members of the Committee must, as the Preparatory Committee for the establishment of the International Trade Organization, regarding a second series of tariff negotiations. Refusal to negotiate on such products * It should be noted that the Committee, as distinct from the Preparatory Committee, could authorize an original member of the Committee to withhold benefits from another original member of the Committee under certain other provisions of the Charter.

* It should be noted that the Organization, as distinct from the Preparatory Committee, could authorize an original member of the Committee to withhold benefits from another original member of the Committee.
ARTICLE I
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.

ARTICLE II
With regard to Articles 24, 32 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 pending the establishment of the Organization, be carried out by a provisional international agency consisting of delegates appointed by the signatory governments.

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 effected by the International Conference on Trade and Employment.

ARTICLE VII
This Article would provide for the entry into force of this Agreement, its duration, and its termination. The Agreement would remain initially 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.

ANNEXURE 11
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.

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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 trade, and of intergovernmental commodity agreements, by 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 in all countries of high levels 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.

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 provisions of paragraph 3 of Article 78.
2. Membership in the Organization shall be open to such other countries as accept the provisions of this Charter, subject to the approval of the Conference on recommenda

CHAPTER II.—MEMBERSHIP

ARTICLE 3

Relation of Employment to Purposes of Organization
The Members recognize that the attainment 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 in other countries or which are 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 fulfilment of the obligations assumed under Article 6.

Chapter IV.—General Commercial Policy

Section A.—General Commercial Provisions

Article 8
General Most-Favored-Nation Treatment
1. With respect to customs duties and charges of any kind, 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 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 another Member 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 duties in respect to which duties and charges are imposed on the international transfer of payments for imports or exports, or in respect to differences in taxation, and with respect to formalities in connection with importation or exportation.

Article 9
National Treatment on Internal Taxation and Regulation
1. The products of any Member country imported into any other Member country shall be exempt from internal taxes, charges, and duties, other 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 for public use other than by or for the military establishment. The provisions of this paragraph shall be understood to preclude the application of internal requirements restricting the amount or proportion of an imported product permitted to be mixed, processed, exhibited or used.

2. The Members recognize that the imposition of internal taxes 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 necessary 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 any Member country via the routes most convenient for international transit to or from other Member countries.
2. Any Member may require that transit in transit through its territory be entered at the proper customs house, but, except in cases of failure to comply with applicable laws and regulations, such transit through this country shall not be exempt from the payment of any transit duty, customs duty, or similar charge, and shall not be subject to any unreasonable restriction or requirement imposed on or in connection with transit.
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 any other Member country 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, with or without 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 of a product exported from one country to another is less than the comparable price charged on the like or similar product in the 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 to any third country, or (c) in the absence of (a) and (b), 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 ascertained to have been granted, directly or indirectly, on the production or export of such product; with due allowance for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.
3. No product of any Member country imported into any other Member country shall be subject to antidumping 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 duties and countervailing duties in 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 where dumping or export 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, or the nearest ascertainable equivalent of such value, and should not be based on the value of products of national origin or on arbitary or fictitious valuations.

(b) The value for duty purposes of any imported product shall 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 duties which shall 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 on 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 taxation of imports or exports 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 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 because of errors in documentation which are obviously clerical in origin or with regard to which good faith can be established. Moreover, Members shall remit any penalty imposed on or in connection with the importation of any product of any other Member country if it is officially found that the penalty has been imposed because of actions which resulted from errors or advice of responsible customs officials.

4. The provisions of this Article shall extend to fees, charges, formalities and requirements relating to all customs transactions, including:

(a) Consular transactions;
(b) Quantitative restrictions;
(c) Licenses;
(d) Exchange 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 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 undertaken, or appropriate measures 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 of 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 and governments to become acquainted with them. Agreements in force between the government or a governmental agency of any Member country and the government or 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 imical 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 excise of charges and the presentation of delays in the field 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 en route at the time of publication thereof in accordance with paragraph 1 of this Article: Provided, That if any Member customarily exempts from such new or increased obligations products entered during exceptional periods of emergency, 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 data on which the discharge of its duties depend, 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 statistics;
   (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 possible be in a form which will enable the Organization to reveal the operation of any restrictions on importation or exportation which are based upon or regulated in any matter by quantity 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, including as the minimum essential data on which requires the discharge of its duties depend, such statistics relating to their foreign trade which are not provided for in its published laws or regulations.

4. The Organization shall act as a center 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 and implementing a framework for the regulation of international trade which will 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 carrying out the objectives of paragraph 1 of this Article.

6. Members undertake to co-operate with the Organization in the preparation of international agreement in the fields of economic statistics and trade terminology, 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 in the public interest, and to encourage the freer movement of goods in international trade.

7. 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 connection with the publication of 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 objections or reservations within the period stated in the notice, which period shall be not less than six months.

ARTICLE 17

Boycotts

No Member shall encourage, support or participate in boycotts of other Member countries or international trade which are designed 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 the territory of other Member countries on grounds of origin, and over, 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, other than a Member subject to the provisions of Article 28, shall, upon the request of any other Member or Members, enter into reciprocal and mutually advantageous negotiations for the elimination of all or any of the tariffs and from other taxes imposed on products moving in international trade which are not provided for in its published laws or regulations.

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 the agreement or agreements incorporating the terms of the 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 request the Organization to 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, such Member shall be free, within sixty days 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 on the importation, exportation, or sale for export, of any product destined for maintenance by any Member country on the importation or 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 of imports or exports, imposed during the 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 (ii) of this subparagraph 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 under this subparagraph shall be removed as soon as the conditions giving rise to them have ceased to exist and, in any event, not later than 1 July, 1949: Provided, That this paragraph may 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 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 inter-governmental 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 policy which operate (i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or (ii) to remove a temporary surplus of the like domestic product by making the surplus available to the consuming public 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 quantity or value. Moreover, any restrictions imposed under (i) of this subparagraph shall not 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 practically possible 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 confronted with an adverse balance of international payments may, as an aid to the restoration of equilibrium, in accordance with the requirements set forth in paragraphs 2 or 3 of this Article, as the case may be:

(a) Prohibitions or restrictions on imports or exports, 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.

(b) 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 affected with a view to assuring that the effects of such restrictions on their commercial interests are maintained in the possible extent compatible with the safeguarding of the balance of payments of the Member imposing the restrictions. Any Member still maintaining such restrictions on 31 December, 1949, shall complete arrangements so that no such restrictions shall remain in force on or after the expiration of six months from that date.

2. Notwithstanding the provisions of paragraph 2 of this Article, any Member shall be entitled to impose balance-of-payments restrictions, whether during or after the transitional period, under paragraph 1 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 in the Member's balance of payments and shall be completely removed upon the elimination of the deficit in the Member's balance of payments. Such restrictions under (ii) shall be progressively relaxed with improvement in the Member's account, as defined in Article XIX (i) of the Articles of Agreement of the International Monetary Fund. A Member's monetary reserves shall be understood to mean its deficit or surplus on current account, as defined in Article XIX (e) 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, as the case may be. The Organization shall seek consultation with the International Monetary Fund in reviewing, in the light of the criteria set forth in (a) above, the balance of payments or monetary reserves of any Member availing itself of the privileges of this paragraph.

(c) Any Member which considers that any other Member in imposing new or continued restrictions contravenes the provisions of this paragraph contrary to the letter or spirit of the undertakings in this Charter with respect to such restrictions, or in a manner tending to impair the commercial relations between the Members, may call the matter before the Organization 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 Organization may determine 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 sixty 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 dislocation to the trade of other Members having an interest in the exportation of particular products. To this end any Member maintaining or imposing such restrictions shall apply them to imports from particular countries 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 all products of the import product which are supplied principally or in important part by any other Member or Members, or (b) if imports of the product are important to the maintenance of the economy of any other Member engaged in exporting the product to the Member maintaining or imposing such restrictions.
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 country, or on the exportation of any product destined for any other Member country, 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. Provided that the Member 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 will 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 allows a share of the total quantity or value to any other country, it shall allot to 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 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 of any special factors which may have affected or which may affect the trade in the product 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 quota 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 restrictions 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 importations permitted 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 concerned from a particular country.

4. With regard to restrictions imposed in accordance with paragraph 2 of this Article or under paragraph 2(e) of Article 19, the selection of a representative period for any revision of a quota in the event of 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.

Nondiscriminatory Administration of Exchange Restrictions

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 imposes in respect of the trade with any other territory; or (b) essential to the maintenance, under Article XX, Section 4(g) of that Agreement, of the common parity 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 (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 needed imports, convertible currencies accumulated up to 31 December, 1948, which are convertible at the time of their use, or (b) to prohibitions or restrictions imposed under subparagraphs 2(a) (i) or 2(d) of Article 19.

Elimination of Exchange Restrictions in Relation to Current Commodity Transactions

1. In order to avoid the imposition of trade restrictions and discriminations through exchange techniques, the 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, That this obligation shall not prevent any Member from imposing such restrictions on transactions with non-Members unless the Organization finds that such restrictions prejudice the interests 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 connection with transactions with the national authorities 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 implemented within the competence of restrictive authorized by, and meeting the requirements set forth in, Articles 20, 21 and 22 of this Charter: Provided further, That the provisions of this paragraph shall not be construed to authorize any Member of the Organization to impose exchange restrictions with any other Member by virtue of Article XI, 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 shall seek to cooperate with the Fund to the end that the Fund and the Organization may pursue a common policy with regard to exchange matters and, in cases in which the approval of the Fund is required, the equality of treatment with respect to all aspects of such matters and the Organization may pursue a common policy with 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.

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 exchange restrictions and transfers in connection with the importation of any product of any other Member, except such exchange restrictions as are implemented within the competence of restrictive authorized by, and meeting the requirements set forth in, Articles 20, 21 and 22 of this Charter: Provided further, That the provisions of this paragraph shall not be construed to authorize any Member of the Organization to impose exchange restrictions with any other Member by virtue of Article XI, Section 2, of the Articles of Agreement of the International Monetary Fund.

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 any 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 trade of the Member country, 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 other Members is caused or threatened by the operation of any such subsidization, the Member granting such 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 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 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 from duties or taxes products from duties or taxes imposed in respect of like products when consumed domestically or from remitting such duties or taxes which have accrued. Members shall give effect to the provisions of this paragraph in the least practicable time after any 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 within the specified period, it may, upon the expiration of such period, give to the Organization a notice in writing to that effect, accompanied by an explanatory statement of the action 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 concerned.

3. (a) In any case in which it is determined that a specific factor or factors affecting the trade in the product, trade or consumption of such product shall, upon the expiration of a representative period, account in the adop- tion of measures to increase consumption and to reduce production through the diversion of resources from unproductive use, or with a view to seeking, if neces- sary, to take action for intergovernmental commodity agreements in accordance with the provisions of Chapter VI of this Charter.

(b) If it is determined that the measures provided for in subparagraph (a) of this paragraph have not succeeded, or do not remain effective, the representative period may be extended from time to time, or prevented 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 such determination and shall not be reapplied in respect of such product until a date determined in accordance with procedures approved by the Organization.

(c) Notwithstanding the provisions of paragraphs 2 and 3 of this Article, no Member shall, upon the expiration of a period for the exportation of any product which has the effect of acquiring or that Member a share of world trade in that product in excess of the share which it had during a previous representative period, account being taken in so far as practicable of the special factors which may be or may be affecting the trade in that product. The selec- tion 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 the subsidy: Provided, That such Member shall, upon the request of any other Member having an 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 adjust- ment of the base period selected or for the reappraisal of the special factors involved.

4. Any determination required or appropriate to the operation of this paragraph shall be made under procedures established by the Organization in accordance with paragraph 6 of Article 55.

Section F.—State Trading

ARTICLE 26

Nondiscriminatory Administration of State-Trading Enterprises

1. If any Member establishes or maintains a state enter- prise, 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 such enterprise, that enterprise shall, upon the request of the Organization or upon the request of any other Member, or granting exclusive or special privileges to any enterprise, shall, upon the request of any other Member having an interest in the trade in the product or service concerned, or upon the request of the Organization, pro- vide such specific and detailed information as will make possible a determination as to whether the operations of the enterprise are being conducted in accordance with the requirements of this paragraph.

2. For the purposes of this Article, a state enterprise shall be understood to be any enterprise over whose operations a Member government exercises, directly or indirectly, a substantial measure of control.

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 authorises, formally or in effect, a complete or substantially complete monopoly of the importation or exportation of any product, such Member shall enter into negotiations with other Members, in the manner provided for in respect of tariffs under Article 18, with regard to (a) the extent of the monopoly, (b) the margin by which the price for an imported product charged by the monopoly in the home market may exceed the price at which such product is offered for sale by foreign suppliers, or (c) in the case of an export monopoly, the margin by which the price for a product offered for sale by the monopoly to foreign purchasers may exceed the price for such product charged in the home market; after due allow- ance in either case for differences in taxation, transportation and other expenses incident to purchase, sale or further processing. Members newly establishing any such monopoly in respect of any product shall not create a margin as defined above greater than the maximum rate of import duty (or, in the case of an export monopoly, greater than the maximum rate of export duty) which may have been negotiated in regard to that product pursuant to Article 18. With respect to any product in respect of which a margin has been established pursuant to this Article, the monopoly shall, subject to the provisions of Section C of this Chapter, import and offer for sale (or, in the case of an export monopoly, offer for sale at a price lower than the comparable price charged by the monopoly in the home market), such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product (or, in the case of an export monopoly, the full foreign demand for the exported product) at the prices charged under such maximum margins.

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 foreign trade with the other Members in consonance with the purposes of this Charter. To this end such Member shall negotiate with the other Members an agreement in respect of the granting of tariff concessions by such other Members, and in consideration of the other benefits of this Chapter, it shall undertake to import in the aggregate over a period of years products of the other Members valued at least as much as the concessions to be granted to such Member. Such an arrangement shall be subject to periodic adjustment.

Section G. Emergency Provisions—Consultation—Nullification or Impairment

ARTICLE 29

Emergency Action on Imports of Particular Products

1. If, as a result of unforeseen developments and of the effect of the obligations incurred under this Chapter, including the tariff concessions granted pursuant to Article 18, any product is being imported into the territory of any Member in such increased quantities and under such con- ditions as to cause or threaten serious injury to domestic producers of like or similar products, the Member shall be free to withdraw the concession, or suspend the obligation, in respect of such product, in whole or in part, or to modify the concession to the extent and for such time as may be necessary to prevent such injury.
3. 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 and formalities, quantitative and exchange regulations, state-trading operations, sanitary laws and regulations for the protection of human, animal and 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 exercising a right granted by this Chapter or otherwise, has the effect of nullifying or impairing any object of this Chapter, such other Member shall give sympathetic consideration to such written representations of any Member which would result, directly or indirectly, in 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 concerning any action the Member may take. 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 commercial 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
ARTICLE 31
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 be 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 under this Article and paragraphs 2, 6 or 7 of Article 55 shall become effective upon the 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 paragraphs 2, 6 or 7 of Article 55. Members shall be free, through 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 measures necessary to protect public morals, relating to: (a) necessary to protect public morals; (b) necessary to protect human, animal or plant life or health; (c) relating to foodstuffs; (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 gold 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, 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; and (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 the Member countries. 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 country for the purpose of interpreting the provisions of Chapter IV.

2. The provisions of Chapter IV shall not be construed to prevent (a) advantages accorded by any Member country to adjacent countries in order to facilitate frontier traffic; or (b) 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 applicable in the constituent territories prior to the formation of such union.

3. Any Member proposing to enter into any union described in paragraph 2 (b) 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 substitution of a single customs territory for two or more customs territories so that the tariffs or other regulations of commerce, or restrictive regulations of commerce, as between the territories of members of the union are substantially eliminated and the same tariffs and other 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 foster monopolistic control in international trade, and which thus have the effect of frustrating 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 territorial 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, trade-marks or copyrights to matters not properly within the scope of such rights or to products or services which are not the immediate subjects, of the authorized grant.

ARTICLE 35
Procedure With Respect to Complaints
In order to implement Article 34, the Organization shall:

(1) 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.

(2) Receive and consider similar complaints from persons, business entities or organizations representing them: Provided, 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 conformed to such procedures.

(3) 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.

(4) When it deems that a complaint deserves further examination, receive pertinent testimony and request other data, conduct hearings, review all information and determine whether the questioned practices exist and whether they have the effect described in paragraph 1 of Article 34.

(5) 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, reorganizations, business divestitures, and licensing of patents, to be implemented in accordance with their respective laws and procedures.

(6) Request reports from Members as to their actions in implementing its recommendations.

(7) Prepare and approve reports concerning complaints, findings thereon, recommendations, and actions taken on such recommendations.

(8) Arrange special consultative conferences among particular Members relative to particular complaints, when deemed necessary, and participate in such conferences.

(g) Assist in arranging consultations, as requested by Members, as provided in paragraph 4 of Article 37, and participate in such consultations.

ARTICLE 36
Studies and Conferences Relating to Restrictive Business Practices
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 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 independently or in concert with other Members in implementing the recommendations made by the Organization pursuant to paragraph 5 of Article 35.

(7) Furnish, to the extent possible, information requested by the Organization in its conduct of studies authorized by paragraph 1 of Article 36.

(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 prohibitive, preventive 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 39
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 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 49; or
   (c) agreements or understandings concerning railroad 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 different in character from those which generally exist in the case of manufactured goods and that these special difficulties, if serious, may have such widespread repercussions as to jeopardise the effectuation of the 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 regarding 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 participation of non-Member countries 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

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:

1. To enable countries to find solutions to special commodity difficulties without resorting to unilateral action that tends to shift the burden of their problems to other countries.

2. 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.

3. 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 Intergovernmental Commodity Agreements

Members undertake to adhere to the following principles governing the institution of intergovernmental commodity agreements involving the regulation of production, trade or prices:

1. Any Member having a substantial interest in the production, consumption or trade of any commodity for which an intergovernmental 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.

2. Members agree not to enter into intergovernmental 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 55, either

(1) that a burdensome surplus of the product concerned has developed or is developing in international trade and such burdensome surplus would, in the absence of specific governmental action to prevent it, be accompanied by widespread distress to the producers, 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 cannot be corrected by the normal play of competitive forces rapidly enough to prevent widespread and undue hardship to workers because, in the case of the industry concerned, (a) 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 moderation of 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 the time limits of the agreement.

3. Intergovernmental commodity agreements involving the regulation of production, trade or prices in respect of other than primary products shall not be resorted to unless the Organization finds that, exceptional circumstances justifying such action, the agreement 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:

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

2. Such agreements shall provide for adequate representation of Members substantially interested in the importation or consumption of the commodity.
ARTICLE 47
Commodity Councils

1. A Commodity Council shall be established under each inter-governmental commodity agreement involving the regulation of production, trade or prices of that commodity.

2. The voting membership of each Commodity Council shall consist of the representatives of the countries participating in the agreement concerned, and voting power shall be determined in such a way that the participating countries which are largely dependent for consumption on imports of the commodity involved or which have substantial interests in the regulation of prices, trade, stocks, production or other substantive matters, have together a voice equal to that of those largely interested in obtaining export markets for the product.

3. Each Commodity Council shall, subject to the approval of the Commodity Commission, adopt such rules of procedure and regulations regarding its activities as it may deem appropriate.

4. Each Commodity Council shall have a non-voting Chairman provided by the Commodity Commission.

5. Each Commodity Council shall make periodic reports to the Commodity Commission as to the operation of the inter-governmental commodity agreement which it administers, and shall make such other special reports as the Commission may specify or as the Council considers to be of value to the Commission.

6. The Secretariat of each Commodity Council shall be provided by the Commodity Commission from the Secretariat of the Organization.

ARTICLE 48
Additional Obligations of Members in Respect of Inter-governmental Commodity Agreements

Members undertake to transmit to the Organization the full text of any of their intergovernmental commodity agreements in which they are participating at the time of 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 are designed to relate to the protection of public morals; the protection of human, animal or plant life or health; the conservation of exhaustible natural resources; the equitable distribution of commodities; or, in short, 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 of this Charter. Members agree to participate in such agreements 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 such nations affected, or unless operated under the Organization.

2. None of the foregoing provisions of Chapter VI is to be interpreted as applying to agreements relating to fissionable materials; to the traffic in arms, ammunition and implements of war and to such traffic in other goods, materials as is carried on for the purpose of supplying 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 commercial policy, business practices and commodity problems, and to industrial and general economic development.

2. To provide technical assistance and advice to Members and to other international organizations, including such assistance and advice as may be appropriate in connection with specific problems 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 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 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 Governments, international organizations and to perform any other function appropriate to the purposes 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 and other international organizations in the judgment of the Conference, at the request of two thirds the majority of Members present and voting, shall terminate and its functions shall be transferred to the Conference.

3. Each member of the Conference shall have one vote.

4. Decisions of the Conference 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 as elected by the Conference.

2. Subject to the provisions of paragraph 3 of this Article, 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.

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 which have engaged in trade with 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.).
Executive Board—Sessions, Procedure and Officers

1. The Executive Board shall meet as required in accordance with its rules, which shall include provision for convening 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.

Functions of Commission on Commercial Policy

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 internationalization 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 composition and procedure of the Organization.

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

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.

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.

Functions of Commodity Commission

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.

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 (a) 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.

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 2 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 5 of Article 35; and to request reports from Members, and to make 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 1 of Article 36; 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.

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 or other persons designated by the Commission.

3. To advise the Executive Board whether a particular commodity is in burdensome surplus, subject to such procedures as may be established under paragraph 6 of Article 35.

4. To recommend to the Executive Board whether an intergovernmental conference should be convened pursuant to Article 53.

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 Secretariat for 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 terms of the agreements, the conventions, the principles set forth 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 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 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 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, so 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 57 of the Charter of the United Nations. This relationship shall be effected through an agreement with the United Nations under Article 63 of the Charter of the United Nations. Such agreement shall be concluded by the Director General and approved by the Conference. The agreement shall provide for effective cooperation between the two organizations in the pursuit of their common purposes, and at the same time shall recognize the 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 and functions, and, in accordance with the principles set forth in Chapter VI of this Charter, and in accordance with regulations approved by the Conference, to incorporate it into this Organization, or to bring it under the supervision or authority of this Organization, the Director General, subject to the approval of the Conference, may enter into mutually acceptable arrangements with such organizations. 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 approved for the purpose. 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 this Organization.

ARTICLE 72
International Responsibilities of Personnel of Organization

The responsibilities of the Members of the Commissions, and at times of the Conference, 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 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 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 subparagraphs (c) (d), (e) or (b) 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. The Members accept the jurisdiction of the Court in respect of any dispute submitted to the Court under this Article.

3. The Organisation 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 of deposit of each instrument of acceptance on which the instrument of such acceptance is deposited: Provided, That if this Charter shall not have entered into force by December 31, 194, any of the governments which have made effective the General Agreement on Tariffs and Trade dated , 194, 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 56.