In opening the meeting, the CHAIRMAN referred to document E/PC/T/3.6/W.29 containing an addition to Article 25 (a) proposed by the Belgian Delegation, which will be considered by the Legal Drafting Committee.

The time-table of the work of the Drafting Committee and its Sub-Committees was discussed and it was decided that next Saturday was to be considered an ordinary working day. The Committee should finish discussions of Chapter V by the end of this week.

The CHAIRMAN then gave his views on the composition of the Report to be presented to the Second Session of the Preparatory Committee:

If there is no objection to a certain part of the text but if no final decision has been reached as to whether or not it shall be retained because of its implications on other parts of the Charter, it will be put into square brackets; if there are objections on the part of a few delegations to a certain text, this fact will be stated in a note; if objections to a certain text have been voiced by a substantial number of delegations and an alternative text is drawn up, this text will be put in the left-hand column of the final Report.

The CHAIRMAN understood that reservations and comments would not be attributed to particular countries in the Report.

/The CHAIRMAN
The CHAIRMAN drew the attention of the Legal Drafting Sub-Committee to certain expressions in Chapter V, Section A, paragraph 3 on page 19 of the London Report. In his opinion the task of the Legal Drafting Sub-Committee should not be to define these terms but to endeavour to ensure uniformity and consistency in their application throughout the Charter.

The CHAIRMAN moved the second reading of Articles 26, 27 and 28.

Article 26 (C.6/15): In view of the advice offered by the Observer of the International Monetary Fund (C.6/W.30), Mr. PHILLIPS (AUSTRALIA) withdrew his proposal to replace the word "or" in line 2 by the word "and".

The text in square brackets in paragraph 3 (b) and paragraph 4 should be considered by the Legal Drafting Sub-Committee as an alternative text.

Mr. JUSSIAN (BELGIUM) informed the Chairman that he had prepared and handed to the Secretariat an amendment to paragraph 3 (d). The amendment was referred to the Legal Drafting Sub-Committee.

In line 8 of paragraph 3 (e) the word "the" was replaced by "their".

Article 26 was approved after second reading.

Article 27 (C.6/W.31): Mr. LEDDY (UNITED STATES) informed the Chairman that the drafting group (Cuba, France, United Kingdom and United States) which was set up to consider paragraph 2, had not yet met. The matter was discussed privately however, and the group would circulate its findings.

The comma in line 4 of paragraph 3 (b) after "products" was deleted.

Article 27 was approved after second reading, subject to the report of the drafting group.

Article 28 (C.6/W.31): The last sentence of paragraph 3 was referred to the Legal Drafting Sub-Committee to consider the following changes:

Mr. NAUDE (SOUTH AFRICA) wished to replace the word "restrict" by "obstruct" and Messrs. LECUYER (FRANCE) and SHACKLE (UNITED KINGDOM) suggested that the sentence should read: "insofar as they restrict the expansion of international trade".

/Article 28
Article 28 was approved after second reading, after deleting "s" in "operations" in line 4, and inserting "or" before "both" in paragraph 2:8 (iii).

The CHAIRMAN made reference to the document of the Economic and Employment Commission (E/CN/1/18/Add.1 and 2) which dealt with some problems of the Charter.

Mr. MA (CHINA) asked leave to state his Government's views on a special aspect of quantitative restrictions. The Chinese Government, desirous to promote industrial development in the country, proposed an additional article to be inserted after Article 29 as Article 30 of Section C, as follows:

"1. Any Member country recognized as an economically under-developed country, shall be allowed, as a means for creating favourable conditions for its industrial development, to impose or maintain restrictions on the quantity or value of merchandise permitted to be imported or exported.

2. Any Member country which considers such an action necessary to facilitate its industrial development, shall be entitled to impose or maintain quantitative restrictions on imports or exports under paragraph 1 of this Article until it is recognized as having been fairly industrialized.

3. Any Member country making use of the provisions of this Article shall conform to the following conditions:

   (a) quantitative restrictions to be thus imposed or maintained should be applied on the basis of non-discrimination in respect of its imports from or exports to all Member countries;

   (b) such quantitative restrictions should be periodically adjusted to meet the changing requirements of the country's national economy and progressively relaxed with the advance of its industrial development."

Mr. MA explained that his Government was far from intending to cause any harm to other countries and that he understood that consultation with the Organization would follow the introduction of such restrictions.

/ The CHAIRMAN
The CHAIRMAN ruled that the discussion of this proposal would exceed the terms of reference of the Committee and that the text should be included in the minutes of the meeting.

The Committee then proceeded to consider Article 31 Non-discriminatory Administration of State-Trading Enterprises as amended by the United States Delegation (C.6/W.22).

Paragraph 1: Mr. BAYER (CZECHOSLOVAKIA) wished to delete the words "distributed or produce" because they referred to activities in the domestic market and not to foreign trade. He also wished to delete the words in square brackets in lines 5 and 6.

Mr. WHITE (NEW ZEALAND) wished to delete the words "distribute or produce" and to remove the square brackets in lines 5 and 6.

Mr. ALVAREZ (CHILE) wished to delete the words "distribute or produce".

Mr. LEDDY explained that the words "distribute or produce" are necessary because industrial enterprises might also import foreign goods and should in such a case be bound by the provisions of this paragraph as far as this part of their activities is concerned. There was no intention to interfere with their domestic activities. The words in lines 5 and 6 could be deleted since language to the same effect was now added in paragraph 3.

Mr. BAYER wished to reserve the position of his Government on this paragraph.

Mr. LEDDY raised the question, already discussed in London, whether for commercial reasons a state enterprise could sell a product at different prices in different markets.

Mr. SHACKLE suggested the following statement to be included in the final Report:
"The charging by a state enterprise of different prices for its sales of a product in different markets, domestic or foreign, is not precluded by the provisions of this Article, provided that such different prices are charged for commercial reasons."

While no decision concerning the interpretation of Article 31 with reference to this point was taken, the view expressed in this statement met with general approval.

After comparing paragraph 1 of Article 31 with paragraph 6 of Article 26, it was decided to delete the proviso in square brackets in Article 26:6, and to transfer it provisionally to Article 31:1.

The Committee discussed the change suggested by the United States Delegation with regard to differential customs treatment in this paragraph and it was decided, at the suggestion of Mr. SHACKLE that the words following upon "purchase and sale" should read: ;and also any differential customs treatment maintained consistently with the other provisions of this Charter."

The words "and exercises effective control over the trading operations of such enterprise" in lines 5-6 were to be given in square brackets in the text to be prepared by the Secretariat for consideration in the second reading.

Paragraph 2. The Delegates for Czechoslovakia, New Zealand and Chile objected strongly to the addition of the words "or industrial use" in line 3.

Mr. SMITH (CANADA) suggested the wording "for resale or use in the production of goods for sale".

It was decided not to include in this paragraph the words "or industrial use" (appearing twice in the draft suggested by the United States). With this change the United States text was adopted. The words proposed by the Delegate for Canada were to be mentioned in the report as an alternative text.

Paragraph 3. Mr. SHACKLE proposed a clarification of the text in lines 1 and 2 as follows: "to any enterprise, organ or agency in which there is effective control by a Member Government".

/Mr. BAYER
Mr. BAYER agreed tentatively to this change but proposed to delete all subsequent language of the United States amendment.

The Delegations for Belgium, Chile and New Zealand supported the Czechoslovak Delegate's point of view.

It was agreed to approve paragraph 3 with the change suggested by Mr. Shackle and with the deletion of the words added in lines 3, 4 and 5 of the United States amendment. The same text including these words was to be given as an alternative version.

Mr. BAYER drew attention to paragraph 2 (g) of Article 25 which was not yet discussed.

Mr. Shackle suggested that this paragraph should provisionally remain in its place pending the discussion of Article 37. This was adopted.