DRAFTING COMMITTEE OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

AD HOC SUB-COMMITTEE (ON ARTICLE 32)

The Ad Hoc Sub-Committee submits herewith, for the consideration of the Drafting Committee, the following revision of Article 32. (Language in square brackets is to be deleted; underscored language is to be inserted).

ARTICLE 32

EXPANSION OF TRADE BY STATE MONOPOLIES
OF INDIVIDUAL PRODUCTS

The Ad Hoc Sub-Committee submits herewith, for the consideration of the Drafting Committee, the following revision of Article 32:

1. If any Member, other than a Member subject to the provisions of Article 33, establishes, maintains or authorizes, formally or in fact, an effective monopoly of the importation or exportation of any product, such Member shall, upon the request of any other Member or Members having an interest in trade with that Member in the product concerned, enter into negotiations with such Member or Members in the manner provided for in respect of tariffs under Article 24, with regard to

\[ \text{(a)} \]

in the case of an export monopoly \( \text{the maximum margin by which the price for a product charged by the monopoly to purchasers in the territories of such Members may exceed the price for such product charged by the monopoly in the home market} \]

arrangements designed to limit or reduce the protection afforded through the operation of the monopoly to domestic users of the monopolized product or to assure exports of the monopolized product in adequate quantities at reasonable prices; or

\[ \text{(b)} \]
(a) in the case of an import monopoly, the maximum margin by which the price for an imported product charged by the monopoly in the home market may exceed the landed cost, before payment of any duty, of such product purchased by the monopoly from suppliers in the territories of Members, after due allowance [in either case] for internal taxes, transportation, distribution and other expenses incident to purchase, sale or further processing, and for a reasonable margin of profit. For the purpose of applying [these] this margin [a] 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 prices charged by the monopoly for exports and sales in the home market respectively] over recent periods.

(2.) Any Member [a] newly establishing any [such] import monopoly in respect of any product shall not create a margin as defined [above] in paragraph 1 (b) 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.

(3.) With regard to any monopolized product in respect of which a maximum margin has been established pursuant to paragraph 1 (b) or paragraph 2 of this Article, the Monopoly shall, as far as administratively practicable, and subject to the other provisions of this Charter [1 (1)] import from Members and offer for sale at prices charged within such maximum margin [a] such 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 consumers of the imported and like domestic product which may be in force at that time [; and]

(ii) in the case of an export monopoly, offer for sale to purchasers in the territories of Members at prices charged within [such maximum]
such maximum margins quantities of the product to the fullest extent that they can be made available for exportation.  

(4.) 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.

The Sub-Committee also discussed the desirability of including in Chapter VI a provision under which government export monopolies would be made subject, on the same basis as private monopolies, to the procedures regarding restrictive business practices. While not reaching any agreement on the matter the Sub-Committee felt that the point should be noted for further consideration at the Second Session and that to this end, paragraph 1 (a) of Article 39 should be amended to read as follows:

"(a) they are engaged in or made effective by one or more

[public or] private commercial enterprises, etc."

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