These Notes should be read in conjunction with the relevant part of the Annotated Agenda for discussion of Articles 31, 32 and 33 (W.198) and the Report of the Drafting Committee (E/PC/T/34), referred to as "D.C. Report".

They indicate briefly points raised in the general discussion of these Articles in Commission A on 19, 20 and 24 June, and refer to discussions and decisions on other relevant parts of the Charter.
GENERAL COMMENT

1. Rules governing State-Trading

Note 1 The Czechoslovak delegate (A/PV/14, pages 3, 6 and 19)

The question of rules for state-trading is at present obscured by abnormal post-war conditions, such as shortage of commodities, balance of payments difficulties, etc. Rules set up now should cover the period of transition only. Some, not too detailed, rules are necessary.

Note 2 The French delegate (A/PV/14, pages 11 & 15)

State-trading should not enjoy any special privileges nor have any additional burdens. Private trading enjoys exceptions from non-discrimination (loans, long-range commercial policy) and the same should apply to state trading.

Restrictions governing state-trading should not apply during the transitional period. Rules should not be too detailed at present.

The rule of non-discrimination should be replaced by the requirement that state-trading should operate according to rules which guide private enterprises.

Provisions applicable to state-trading in normal situations should not be enforced when external trade is conducted according to governmental programmes.

Note 3 The Canadian delegate (A/PV/14, pages 16 & 37)

The Charter must carefully balance obligations and benefits for countries with private foreign trade and for those with a mixed system.

It may be difficult to formulate rules at this stage. However, certain general rules should be laid down now, lest state trading should be allowed such greater freedom and scope that state-trading Members will assume a favoured position as against countries with private trading.

Note 4 The New Zealand delegate (A/PV/14, page 25)

Rules should not be too detailed, because of the limited experience of state-trading.

Note 5 The United States delegate (A/PV/14, page 28)

The present rules do not go too far; it is absolutely essential to provide some rules indicating how state traders should discharge their obligations.
In comparing obligations of private trading Members with those of state-trading Members, the whole of Chapter V must be considered. Negotiations on tariffs, quotas, etc. are inapplicable to state-trading countries.

Note 6  The Belgian delegate (A/PV/15, page 10)

The Charter is based on the pattern of competitive economies. Monopolies create difficulties in the supervision of international competition.

The application of Articles 31 and 32 should not be limited by too narrow a wording.

Note 7  The United Kingdom delegate (A/PV/15, page 30)

State-trading is not a new kind of protection, it is a new method of trading.

There should be rules for state-trading in mixed economy countries analogous to rules for private trading.

2. Balance of Payments difficulties.

Note 8  The Canadian delegate (A/PV/14, page 16)

Balance of payments difficulties are dealt with in specific Articles which apply generally, and there is no need to provide for these difficulties encountered by state-traders during the transitional period.

Note 9  The Czechoslovak delegate (A/PV/14, page 19)

So long as restrictions on foreign trade for reasons of balance-of-payment difficulties are general there is no difference between private and state-trading enterprises. The differences may be seen later and therefore detailed rules should be postponed until then.

Note 10  Extract from the London Report (page 13)

(n) 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.

3. Disclosure of Information

The Czechoslovak Amendment to Article 33 (W.198, page 12) was referred to Sub-Committee I.

Note 11 The Czechoslovak delegate (A/PV/17, page 36)

The content of his Amendment was discussed in London. (Report E/TC/T/33, page 17, Section E. item (iv); it was decided in New York to transfer it from Article 31 to 35, where it was incorporated in a form which did not satisfy a number of delegations. His delegation feels strongly about the Amendment.

A state-trading member should be entitled to withhold information for the same reasons as under Article 42:2(c) (i) and (ii), (Cf. W.224, page 8).

(A/PV/14, page 19) State-trading enterprises which operate according to commercial considerations should be under no other obligation to disclose data on their transactions than private enterprises.

(Cf. Note 10, last sentence)

Note 12 The United States delegation proposed (W.223, Note 43)

the deletion from Article 27:3 of the words "Provided however, that there shall be no obligation to supply information as to the names of importing or supplying enterprises."

Comment of the United States delegation:

The proposal to delete the proviso permitting withholding of the names of importing and supplying enterprises is based on the view that since the granting of licences to particular enterprises may frequently constitute in effect a discrimination against particular countries, the names of enterprises receiving licences should not be withheld from Members which request them.

The delegates for China, Czechoslovakia, New Zealand, Norway, United Kingdom, opposed the deletion. The Netherlands delegate wished that such information should be considered confidential.
REFERENCES TO OTHER PARTS OF THE CHARTER

Article 25

Note 13

The United States delegation proposed the deletion of sub-paragraph 2 (f) inasmuch as its substance is already covered by sub-paragraph (g) of Article 37, amended by the same delegation to read:

"(g) Necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of Chapter V, such as those relating to the enforcement of state-trading monopolies, customs enforcement regulations, prevention of deceptive practices, and the protection of patents, trade marks and copyrights:"

For discussion in Commission A these two United States amendments cf. A/PV/21, pages 4 to 8. No action was taken by Commission A on the United States amendment to Article 37 (g).

Article 27

Note 14

Commission A. discussed on June 30 (A/PV/21, page 33) the United States amendments to sub-paragraphs 2 (d) and (e) (W.223, pages 25-27)

The New Zealand delegate objected to the deletion, from sub-paragraph 2 (e) of the language "the shares of various supplying Members...for the purpose of appraising such commercial considerations,"

If deleted its substance should be moved to sub-paragraph 2 (a).

The United Kingdom delegate thought that the point raised by the New Zealand delegate pertained to Article 31.

Comment of the United States delegation

"An objection to the mention of the principle of commercial considerations in this context is that it seems to imply that the government would have its own commercial interests in mind (as in the case of State-trading) whereas in fact governmental allocations should merely reflect the factor of commercial considerations as it may be influencing, or may have influenced, all trade, whether public or private, in the product subject to the restrictions. This application to quota allocations of the principle of commercial considerations, however, is already fully covered by sub-paragraph (a)."

Article 37

Note 15

Commission B (W.228, page 8) adopted the proposal to delete the words "are taken pursuant to international agreements on" from sub-paragraph (j) which now reads as follows:
"(j) Relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption:"

(Cf. Notes 82, 83 & 84)

Article 39

Note 16 Commission B (E/PC/T/112) approved the deletion of the following words from sub-paragraph 2 (a):

"(i.e. trading agencies of governments or enterprises in which there is effective public control)"

Note 17 The following new paragraph was added to Article 39.

"4. In this Article 'public commercial enterprises' means:

(a) trading agencies of governments, and

(b) enterprises wholly or mainly owned by public authority over which there is effective control by public authority, including control of engagement in the practices listed in paragraph 3.

'Private commercial enterprises' means all other commercial enterprises."

It was the understanding of Commission B that the above definition was conceived mainly for the purposes of Chapter VI.

Article 45

Note 18 Commission B (E/PC/T/112 Corr. 1) decided to delete sub-paragraph 1 (b) and paragraph 2.

New Article 57A

Note 19 The Netherlands delegation (W.207) proposed a new Article 57A to read, inter alia:

"1. The general procedure of this Chapter shall be followed, where appropriate in view of the multilateral aspects of the special difficulties which are considered to have arisen or are likely to arise, when in the case of any primary commodity Members enter into consultation or negotiations about

a. subsidizations as referred to in Article 30: 4;

b. the maximum price margin on the importation or exportation as referred to in Article 32."

(Cf. A/PV/19, page 10)
Comment of the Netherlands delegation: (W.207)

"Though in Article 30 an explicit statement is made that these consultations should follow the procedure of Chapter VII such is not the case in Article 32. Moreover, even tariffs, preferences, special prices, marks of origin, mixing requirements and other consultation and recommendation under Chapter V could in many cases, in respect to a primary commodity, follow the procedure of a study or a conference, resulting in an arrangement or an agreement."

Note 21
In the seventeenth meeting of Sub-Committee on Chapter VII, on 26 June, the Secretary reported that the Chairman of Commission B had ruled that the matters referred to in the Netherlands amendment were in the first place matters for Commission A.

Note 22
The United Kingdom delegate (A/PV/19, page 11) opposes the Netherlands proposal, which would bring subsidies, maximum price margins of Article 32, etc. into the present Article.

Article 59 (now 62)

Amendment adopted by Commission B (Cf. W.228, pages 8 and 19, and B/SR/17, page 19)

"1. The provisions of Chapter VII shall not apply:
   a) to any bilateral agreement relating to the purchase and sale of a commodity falling under Section E of Chapter V."

The Chairman of the Sub-Committee of Commission B declared that this paragraph in no way precluded a state-trading country from being a party, along with any other Member, in any commodity agreement.

Note 24
Comment of the Sub-Committee

"The new text of this Article is designed to graduate the extent to which certain types of agreements are to be excepted from the provisions of Chapter VII. Bilateral state-trading agreements are still entirely excluded from the application of the Chapter."
ARTICLE 31

1. Title of the Article

Note 25 United States amendment (Cf. W.198, page 2)

The New Zealand delegate (A/PV/14, page 24)

The change is not in agreement with the contents of the Article. He proposes the following title:

"The Administration of State-Trading Enterprises."

Note 26 The United States delegate (A/PV/14, page 27)

The New Zealand suggestion does not meet the case. Section E. covers two distinct subjects which the titles of Articles should indicate:

Article 31 contains the obligation to observe the principle of most-favoured-nation treatment, and Article 32 covers the obligation to negotiate, for the purpose of the expansion of foreign trade.

2. Paragraph 1

Czechoslovak amendment (Cf. W.198, page 2)

United States amendment (Cf. W.198, page 3)

Note 27 The United States delegate (A/PV/14, page 8)

The cumbersome part of the text was redrafted to read "purchases and sales affecting international trade".

In order to avoid the implication that exactly the same price must be offered or that goods must be offered at the same price in different markets the former wording was replaced by reference to the general most-favoured-nation treatment parallel with the provision of Article 14.

Note 28 The Chilean delegate (A/PV/14, page 10)

Accepts the United States amendment if its meaning is that state-trading enterprises, when exporting or importing, must be guided solely by commercial considerations.

It should be recorded in the report that, according to item (e), page 27, of D.C.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 Article 31, provided that such different prices are charged for commercial reasons, to meet conditions of supply and demand in export markets."

Note 29
31:1
The United Kingdom delegate (A/PV/14, page 11)
The interpretation given in item (e), page 27, of the D.C. Report (Cf. text in Note 28) should be kept on record.

Note 30
31:1
The Chinese delegate (A/PV/14, page 13)
Prefers the present text "shall be accorded treatment no less favourable..." to the reference to most-favoured-nation treatment, because the latter is confusing.

There should be a provision for the case of emergency when a product is urgently needed or when it has to be disposed of in a short time.

Note 31
31:1
The New Zealand delegate (A/PV/14, page 24)
The expression "such enterprise shall" is not consistent with the fact that countries and not enterprises are Members.
Notwithstanding the United States redraft of the last phrase, the words "having regard to any differential customs treatment maintained....of the Charter" should be retained.

Note 32
31:1
The United States delegate (A/PV/14, page 27)
The language "such enterprise shall" can be recast to meet the objection that states and not enterprises are Members.

Note 33
31:1
The South African delegate (A/PV/14, page 29)
The reference to Article 14 in the United States amendment is an improvement of the text but at present the final texts of Articles 14, 15 and 24 is not known.

"commercial considerations"

Note 34
31:1
The United States delegate (A/PV/14, page 8)
The requirement of "commercial considerations" was
relegated to the newly recast sub-paragraph (b) (A/PV/14, page 27). These words cover the language "having due regard to any differential customs treatment..." which was therefore deleted. The matter should be considered.

Note 35
31:1
The French delegate (A/PV/14, page 21)
In some circumstances state-trading and private enterprises will not operate strictly according to commercial considerations. Facilities of payment, future benefits, loans, financial interest in a firm, may influence purchases and sales of both enterprises.

Note 36
31:1
The Canadian delegate (A/PV/14, page 22)
The term "commercial considerations" should not be defined in too narrow terms, it does not simply mean the lowest price. Other considerations are legitimate.

Note 37
31:1
The New Zealand delegate (A/PV/14, page 24)
Is the interpretation that the words "commercial considerations" imply, to buy or sell at the best price, consistent with the meaning of most-favoured-nation treatment?
(A/PV/21, page 34) There is a difference between international competition and trade based on commercial considerations. Commercial considerations may induce countries to ignore prices current in international trade.

Note 38
31:1
The South African delegate (A/PV/15, page 19)
States are influenced by non-commercial considerations and therefore the rule of commercial considerations should be made obligatory on state-trading.

"through public offers or bids or otherwise"

Note 39
31:1
The United States delegate (A/PV/14, page 8)
These words were introduced to provide a criterion of the expression "commercial considerations".
(A/PV/14, page 14) The words "or otherwise" enable the state-trading enterprise to use other means.
Note 40

The United Kingdom delegate (A/PV/14, page 11)

This expression is too narrow. It puts a state-trading enterprise under a more strict obligation than a private firm. The following wording would be more appropriate:

"and shall afford the enterprises of all Members fair opportunity to participate in such purchases and sales."

Note 41

The Brazilian delegate (A/PV/14, page 17)

These words should be deleted from the United States amendment because they are impracticable.

Note 42

The New Zealand delegate (A/PV/14, page 24)

The specific reference to "public offers or bids" is inappropriate considering the scale of operations of state-trading enterprises, and should be deleted.

Note 43

The Chilean delegate (A/PV/15, page 2)

The interpretation of these words given by the United States delegate, to the effect that a Member, whether state-trading or not, cannot be obliged to carry out its foreign trade only through public offers or bids, should be recorded. (Cf. Note 39)

"tied loans"

Note 44

The Chinese delegate (A/PV/14, page 13)

The second sentence: "To this end such enterprise shall......." does not cover cases in which international loans are involved.

Note 45

The United States delegate (A/PV/14, page 14)

The question of "tied loans" is covered in item (v) of Section E on page 17 of the London Report as follows:

"The view was generally held that a country receiving a loan 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."
In his opinion this interpretation is correct.

Note 46
The Chinese delegate (A/PV/14, page 18)

In spite of the interpretation of the London Report, the expression "commercial considerations" does not cover "tied loans".

3. Paragraph 2

Czechoslovak amendment (Cf. W.198, page 4)

United States amendment (Cf. W.198, pages 4 & 5)

"for use in the production of goods for sale".
(in square brackets in the D.C. Report).

Note 47
Article 15 The Sub-Committee on Articles 14, 15 and 24 approved tentatively on 10 July the following text of paragraph 5 (re-numbered as paragraph 6) of Article 15:

"6. The provisions of this Article shall not apply to the procurement by governmental agencies of products purchased for governmental purposes and not for re-sale or use in the production of goods for sale, nor shall they apply to governmental purchases designed to give effect to a subsidy permitted under Article 30."

Note 48
The Czechoslovak delegate (A/PV/15, page 5)

Accepts the word "re-sale" instead of "sale" at the end of the first sentence of paragraph 2 as amended by the Czechoslovak delegation.

Note 49
The United States delegate (A/PV/15, page 6)

Is in favour of maintaining these words. He prefers the Czechoslovak amendment, with these words inserted, to his own draft.

Services, (electric power, etc.) are not covered by these words.

(The word "London" in line 3 page 5 of W.198 should read "New York").
Note 50
Wishes to delete these words if the majority agrees to it.

Note 51
Maintains his reservation because various operations of his government cannot be brought within the compass of these words.

Note 52
Is in favour of maintaining these words, and wishes to revert to the situation as interpreted by the London Report (page 17, Section E, item (v)):

"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."

4. Paragraph 3

Belgian amendment (Cf. W.198, page 5)
Chinese amendment (Cf. W.198, page 6)
Czechoslovak amendment (Cf. W.198, page 5)
Chilean amendment (Cf. W.198, page 6)
United States amendment (Cf. W.198, page 5)
Amendments to Article 39, (Cf. Notes 16 & 17).

Note 53
If, in the execution of a governmental programme of production, established by law, an enterprise is required to purchase in or sell to a specific country, it is the law at which the Charter (Article 15) aims.
If, however, such discrimination is a consequence of governmental control in the enterprise, this enterprise operates contrary to the present Article 31.

Note 54

The English text of the Belgian amendment (W.65) should be corrected to read:

"this Article shall apply when a Government of a Member exercises, directly or indirectly, an effective control over enterprises, organizations or agencies, or over their trading operations only, whether this control is exercised by virtue of legal provisions, or as the consequence of granting exclusive or special privileges, or merely in fact."

Note 55

The French delegate (A/PV/15, page 11)

A private enterprise should not be subjected to provisions of Article 31 merely because its operations form part of a governmental programme of production.

Note 56

The Chinese delegate (A/PV/15, page 13)

Prefers alternative B because privileges granted may be withdrawn and yet the Government will be legally able to exercise control. The Chinese amendment (W.70) differs from alternative B only in the insertion of the word "Member" before the word "Government" in the first line.

Note 57

The Czechoslovak delegate (A/PV/15, page 15)

Neither paragraph 3 nor alternative A or B are necessary though perhaps this Article will then not cover all future cases.

The Organization should determine whether or not an enterprise was a state-trading enterprise.

Note 58

The Chilean delegate (A/PV/15, pages13)

His amendment is prompted by the existence of the Corporacion de Ventas de Salitre y Soda de Chile which has the exclusive right of trading in natural nitrate of soda, and which should not be considered a state-trading enterprise since the law of the country does not do so. Yet the text of the D.C. Report makes paragraph 3 applicable to this case because of certain control and privileges.

Paragraph 3 should be deleted because it was very difficult to find a definition of state-trading enterprises. The matter should be considered by the subcommittee.
The Chilean delegate proposed the following definitions of a state-trading enterprise (A/PV/15, page 15):

An enterprise should not be considered a state enterprise unless the law of the country considers it to be one.

An enterprise should be considered a state enterprise when a government participates by more than 50 per cent in its capital.

The United States delegate (A/PV/15, page 17)

If the operations of an enterprise, whether labelled as state or as private enterprise, can render other provisions of Chapter V inoperative, the government has the obligation to ensure that these operations are in conformity with Article 31. In cases mentioned by the French (Cf. Note 35) and Chilean (Cf. Note 58) delegates, when the external operations are carried out according to commercial principles, there is no danger in the application of Article 31.

He supports the Czechoslovak suggestion to delete paragraph 3 if the remaining parts of Article 31 clearly indicate that the Member has to ensure that the enterprises defined therein discharge the obligations of this Article.

The New Zealand delegate (A/PV/15, page 23)

If paragraph 3 is deleted the words

"and exercises effective control over the trading operations of such enterprise"

should be re-introduced in the first part of Article 31.

The Canadian delegate (A/PV/15, page 18)

No definition is needed because according to paragraph 1 a state enterprise or any other enterprise "which imports, exports..." must adhere to the rule of non-discrimination.

The South African delegate (A/PV/15, page 19)

A definition is necessary so as to distinguish the two groups of enterprises; those which may act for non-commercial reasons, and those which would normally act for commercial reasons.
ARTICLE 32.

1. Title of the Article

Note 64

United States amendment (Cf. W.198, page 7)
No comment.

2. Paragraph 1.

Chinese amendment (Cf. W.198, page 7)
Czechoslovak amendments (Cf. W.198, page 7)
United States amendments (Cf. W.178, pages 8-10)

Note 65

The Chinese delegate (A/PV/17, page 20)
The words "to limit or reduce ... monopolised product or" should be deleted from sub-paragraph 1 (a) because paragraph 1 already provided for adequate quantities at reasonable prices.

If the provision for negotiations of price margins be maintained, reference to margins of profits is necessary.

Note 66

The Czechoslovak delegate (A/PV/15, page 24)
His amendment enables governments to establish lists of priorities of imported goods during a period of shortage of foreign currencies.

Import monopolies: Negotiations about margins hamper schemes for the stabilization of prices paid to home producers, and would bring the Member in conflict with the rules of "commercial considerations" or of "non-discrimination". Total quantities of an imported commodity or other aspects may be negotiated.

Export monopolies: The present rules are inoperative unless the state monopoly holds also a monopoly in the world market.

Note 67

The United States delegate (A/PV/15, page 27)
The New York draft failed to establish a parallel to tariff negotiations. The words "any other arrangement to accomplish the purpose of paragraph 1 of this Article" provide for more flexibility and for opening of negotiations upon request of another Member.
Export monopolies: Negotiations are necessary, as a parallel to the obligation to negotiate export duties because a country can restrict exports of raw material to protect its own manufacturing industry.

Note 68 The United Kingdom delegate (A/PV/15, page 31)

The United States amendment, by attempting to merge Article 32 and 33, introduces the concept of negotiations about quantities which will not work.

Negotiations on global quantities must include prices as recognised by the Czechoslovak amendment, and "it is a foregone conclusion that such negotiations will never be carried through."

The character of this Article as drafted in New York should be maintained.

Paragraph 1(b) can be amended so as to include "mixing".

Given the willingness to disclose calculation, the elements of which are the same in monopolistic as in private trading, price margins can be established.

Fluctuation of prices can be met by averaging over time and consignments.

Shortage of foreign currencies is dealt with by Article 30 with a reference to Article 32.

Stabilisation of prices paid to home producers is possible in the form of a variable subsidy.

Note 69 The French delegate (A/PV/17, page 5)

Subsidies may help in some cases, but parliaments are sometimes sensitive to budgetary provisions.

The French delegation cannot accept Article 32 without a qualification.

Note 70 The Canadian delegate (A/PV/15, page 37)

The United States and the Czechoslovak amendments introduce fundamental changes in tariff negotiations and in the structure of the Charter.

It is protective margins which should be negotiated:

Countries with private trading negotiate customs tariffs,

state-trading countries should negotiate protective price margins set up by monopolies.
The Charter does not provide for negotiation on quantities. To negotiate quantities and prices is inconsistent with the concept of bilateral procedure of tariff negotiations; such concept corresponds to the procedures of Chapter VII, which operate under conditions not applicable to state-trading.

If it is impossible to determine the difference between the buying price of the imported product and the selling price of the final mixed, blended or processed product, the difference between the importing price and the price paid to domestic producers can in such cases be ascertained.

Subsidies could be applied in cases of stabilization schemes for domestic prices, if the negotiated margin does not allow the maintenance of a sufficiently high domestic price.

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**Note 71**

**The United States delegate (A/PV/15, page 43)**

The United States amendment does not intend to merge Articles 32 and 33; it provides for bilateral negotiations product by product which is preferable to no negotiations at all in cases in which it was impossible to formulate the request for negotiations on the basis of a marginal increase.

The initiative to negotiate with the importing monopoly should lie with the exporting Member who can suggest other bases of negotiations if the types suggested in 2 (a) and (b) of the amendment are not practicable.

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**Note 72**

**The Netherlands delegate (A/PV/15, page 47)**

No objections to the United States amendment. It should, however, state clearly the distinction between bilateral and multilateral negotiations.

The fullstop after the word "article" in 2 (c) of the amendment should be replaced by a comma.

The Czechoslovak amendment has many merits.
Note 73 The South African delegate (A/PV/17, page 4)

The United States amendment allows more latitude for bargaining, thus making for the liberalization of trade.

Note 74 The Chilean delegate (A/PV/17, page 7)

While not objecting to the principle of paragraph 1 (a) thinks that it should apply only when a substantial portion of the total national production of the monopolised product is consumed in the country of origin.

He proposes to add the wording:

"Provisions of paragraph 1 (a) should not apply if total exports of a monopolised product exceed 90 per cent of the total output."

Note 75 The United Kingdom delegate (A/PV/17, page 13)

proposes to redraft sub-paragraph 1 (b) on the following lines which include the Canadian suggestion to introduce the price paid to domestic producers as an alternative test:

Starting in the terms of the United States amendment the new draft should make provisions for negotiations for the purpose of limiting or reducing the protection afforded to domestic producers through monopolistic operations. The Members should negotiate about the margin between landed cost price of the product and either the price to home consumers, or, as a second alternative, the price paid to home producers.

If this is accepted details about subsidized margins of profits, etc., can be deleted.

Note 76 The Canadian delegate (A/PV/17, page 14)

supports the redraft of sub-paragraph 1(b) proposed by the United Kingdom delegate (Cf. Note 75)

Note 77 The Australian delegate (A/PV/17, page 16)

Wishes to retain Article 32 as drafted in New York. The complexity of negotiations with single monopoly countries will not be removed by the addition of more details and criteria.
The alternative test of selling price to domestic consumers will not be practicable in all cases.

To negotiate total imports by a monopoly is of no interest to an exporting country which can sell all it wishes.

Global quantities provided in the United States amendment require negotiations about quotas with several countries and such multilateral negotiations will not be practicable.

To apply procedures of Chapter VII to negotiations will in some cases hamper the activities of state-traders.

Note 78 The New Zealand delegate (A/PV/17, page 20)

Supports the Czechoslovak amendment because of its economic and administrative practicability. Negotiations about margins are not possible in all cases.

Monopolies operating in foreign and domestic trade for the stabilization of cost of living, cannot negotiate under sub-paragraph 1 (a), because violent fluctuations of world market prices will destroy national stabilization policy.

Note 79 The Netherlands delegate (A/PV/17, page 22)

Article 32 interferes considerably with the stabilization schemes in the Netherlands.

Note 80 The Czechoslovak delegate (A/PV/17, page 24)

Negotiations about price margins may not in many instances be practicable; he draws attention to the opinion of the International Chamber of Commerce (Cf. W.198, top of page 8).

He agrees tentatively with the substance of the United States amendment.

3. Paragraph 2

Czechoslovak amendment (Cf. W.198, page 10)

United States amendment (Cf. W.198, page 10)
Note 81
No comment.

4. Paragraph 3

Czechoslovak amendment (Cf. W.198, page 10)

United States amendment (Cf. W.198, page 10)
(Cf. Note 15 on Article 37)

Note 82
The United States delegate (A/PV/15, page 28)

His amendment to paragraphs 1 and 2 makes paragraph 3 redundant. The exporting country which negotiates with a monopolistic country is interested in lower selling prices only when unrestricted quantities are allowed to be imported.

The amendment permits the exporting country itself to introduce the requirements of "reduced prices" and "unrestricted quantities" into the negotiations.

Note 83
The United Kingdom delegate (A/PV/15, page 36)

The New York draft should be maintained. The obligation to satisfy domestic demand is a counterpart of the obligation to renounce quantitative restrictions for protective purposes (Article 25).

(A/PV/17, page 14). Paragraph 3 is not a rule for negotiations but a requirement to satisfy domestic demand; without it the monopoly would have the effect of quantitative restrictions.

Note 84
The Canadian delegate (A/PV/17, page 16)

Paragraph 3 should be maintained, lest monopolies operate as quantitative restrictions. These are, with some exceptions, ruled out from private trading.

5. Paragraph 4

Czechoslovak amendment (Cf. W.198, page 11)

United States amendment (Cf. W.198, page 11)

Norwegian amendment (Cf. W.198, pages 11 - 12)
Paragraph 4 is redundant because there is no more reason to consider the revenue of some monopolies than to consider the revenue character of tariffs.

Monopolies established for cultural, humanitarian and social reasons would, by negotiating margins, subordinate social policy to commercial policy, which cannot be expected.

In the discussion of Article 37 (a) and (b), (Commission A, Cf. A/PV/25, page 21), on the liquor and wine monopoly in Norway (Cf. D.C. Report, page 31, Specific Comment), the Norwegian delegate wished to postpone his decision until after the final wording of Article 32:4.

Supports his own and the Norwegian amendment, subject to changes of paragraphs 1, 2 and 3.

Supports in principle the Norwegian amendment and suggests redrafting by the Sub-Committee.

The Norwegian amendment is a useful proposal and should be referred to the Sub-Committee.

Approves, in principle, the Norwegian amendments. Possibly Article 37 would be a better place for it. (Cf. Note 87).

6. Suggested new Paragraph

Netherlands amendment (Cf. W.198, page 11)
The Netherlands delegate (A/PV/15, page 46)

His country attaches great importance to inter-governmental commodity arrangements on a multilateral basis.

Requests for fixing price margins made during the present tariff negotiations could not be met by his delegation because the world market price was unknown. Given violent price fluctuation, such as for wheat, averaging over time does not help to fix maximum margins applicable in the future.

(A/PV/17, page 2). Negotiations about maximum price margins are of two distinct kinds: on a bilateral basis analogous to tariff negotiations, and, for primary products, on a multilateral basis according to procedures of Chapter VII.

(A/PV/17, page 23). Commodity agreements will dispose of subsidies, countervailing duties, etc. The Organization should study the real causes of fluctuation of world market prices (Cf. Notes 19, 20 and 21).

The United Kingdom delegate (A/PV/17, page 3)

Opposes the introduction of procedures of Chapter VII into the bilateral concept of Article 32. Averaging over time would flatten the curve of world market price. (Cf. Note 68, paragraph 6)

The United States delegate (A/PV/17, page 26)

Cannot accept the Netherlands amendment, and opposes any change which introduces procedures of Chapter VII in Article 32. Paragraph 3 envisages bilateral situation comparable with tariff negotiations. Procedures of Chapter VII would impede the obligation of the single monopoly country to negotiate.