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

GENERAL AGREEMENT ON TARIFFS AND TRADE.

Observations of the Czechoslovak Delegation to Article II par. 3.

The ad Hoc Subcommittee on Paragraph 3 of Article II was established with the following terms of reference:

(a) "To devise means of incorporating the results of negotiations pursuant to Article 31 of the Draft Charter and

(b) of providing for cases where tariff concessions already negotiated are liable to be affected by the creation of a state trading monopoly."

(a) As to the first part of the terms of reference the Czechoslovak delegation is of the opinion that the results of those negotiations are incorporated in the Schedules and hence covered by the par. 1 of the Article II ("Each contracting party shall accord to the commerce of the other contracting parties treatment no less favourable than that provided for in the appropriate Schedule annexed to this Agreement ...")

(b) As to the second question (that is if a state establishes in the future a monopoly for the product for which a maximum rate of duty is provided in the appropriate Schedule) either the procedure of Article XXI (Nullification or Impairment) or that of par. 4 of Article II should be followed in the eventuality that it is determined that the operations of the monopoly tend to nullify or impair the benefit of the tariff concessions included in the Schedule.