CABINET.

COMMERCIAL POLICY.

MEMORANDUM BY THE PRESIDENT OF THE BOARD OF TRADE.

ON the 6th November the Cabinet considered the negotiations on commercial policy with the United States and gave their approval to the results then reached. Since then, we have been in touch with our negotiators in Washington about the way in which our approval of the proposals should be expressed. There have also been considerable telegraphic exchanges with the Dominions.

2. I undertook to submit in due course a draft of a statement I proposed to make welcoming the American initiative. Annex A to this paper shows the statement which I should propose to make, subject, of course, to a satisfactory conclusion of the financial side of the negotiations. This statement is necessarily in general terms, but I should bring to the notice of my colleagues three points:

(a) Paragraph 3 has been prepared in consultation with the Dominions Office and designed to meet the situation that Australia and New Zealand have unfortunately not been prepared to express their general approval of the result (the Secretary of State for Dominion Affairs has circulated a separate paper (C.P. (45) 295) on this aspect).

(b) Paragraph 4 looks forward to a full debate on the commercial policy proposals. I am anxious that this should take place in order that the Government may have the best and earliest opportunity of explaining to Parliament and public opinion here the background of the commercial policy proposals and why they are in our interests.

(c) Paragraphs 8 to 12 deal rather fully with the Imperial Preference issue and contain the final text of the "explanation" which has been agreed with the Americans as the interpretation we are entitled to put on the formula dealing with tariffs and preferences, which now appears in its proper place in the American proposals (see Annex C to this paper, Chapter III, section B).

3. For the convenience of my colleagues I attach at Annex B a short summary of the American proposals, which was before them at the last meeting and to which they then gave their assent. At Annex C is the full text of the American proposals. Annex D gives the text of another American document which has been agreed with our negotiators and sets out the manner in which it is proposed that the American document should be submitted first of all to a group of the major trading nations (including all the Dominions and India) and later to a United Nations conference.

4. The remaining question is whether, on the assumption that the financial negotiations end in agreement, we should express to the Americans in a more formal way our general support of their commercial proposals. They point out, of course, that in order that the financial agreement (if reached) may have
a favourable reception in Congress it will be necessary for them to point to the fact that we are in general support of the commercial policy proposals. Once the debate which I suggest has taken place, there is no difficulty. If for their purpose a verbal assurance from our negotiators that we intend to commend the proposals to Parliament is not sufficient, the problem is what can be said to them before the debate has taken place. It is, in my view, and I believe, in that of the Americans (see Annex D, paragraph 1), important that the proposals should appear as an American initiative. From the point of view both of the Dominions and of Parliament we cannot commit ourselves at the prepublication stage in any document which might subsequently become public to more than an assurance that we shall seek Parliamentary backing for our attitude to the proposals.

5. I therefore seek the approval of my colleagues to the suggestion that if the Americans press for it the Ambassador should be authorised to inform them (not for publication at this stage) that His Majesty's Government intend, in the course of the Parliamentary debate which is expected to take place after publication, to express fully their support of the American initiative and to make clear their welcome for the proposals as a basis for international discussion. The Ambassador could go on to say that His Majesty's Government will associate themselves with the substance of the proposals in the American document and will express their intention to use their best endeavours, in the light of the views expressed by other countries, to carry the proposed international discussions to a successful conclusion.

R. S. C.

Board of Trade, Millbank, S.W. 1,
24th November, 1945.

ANNEX A.

DRAFT STATEMENT FOR USE IN PARLIAMENT ON THE UNITED STATES COMMERCIAL POLICY PROPOSALS.

HIS Majesty's Government welcome the initiative of the Government of the United States in publishing their proposals for setting up an International Trade Organisation and will be glad to play their part in any international discussions which eventuate on this most important subject.

2. The proposals which have been published represent not only the constructive thought of the United States Government but also the culmination of a long process of study and exchange of ideas between our own experts and those of the United States.

3. During this preparatory period extending over two years our experts held a series of informal and most valuable consultations with experts from the Dominions and India who made a number of very helpful contributions on the various topics discussed. The recent talks in Washington preceding the publication of the United States document, were, of course, conducted on behalf of the United Kingdom alone, and I am not in a position to speak for our partners in the Commonwealth, none of whom are in any way committed and who will each, no doubt, state their views themselves. I would only say here that while we have kept closely in touch with them during the conversations, it is quite understood that each of the Governments concerned will be able to approach the international discussions with full freedom of action in relation to the various matters dealt with in the proposals.

4. The House will no doubt wish to have a full discussion upon these proposals before any international conference takes place, but it would perhaps be convenient for me to take this earliest opportunity of remarking upon certain broad aspects of the American document.

5. I should make it clear that this proposal is put forward by the United States Government with the object of formulating a basis for an international conference at which their suggestions will be subjected to full discussion before any final agreement is arrived at. Nevertheless, His Majesty's Government in welcoming these proposals, desire to express their agreement with the broad
objectives aimed at, that is to draw up a code of conduct for international commerce and facilitate its expansion, so as to secure as far as is possible full employment at rising standards of living in all the countries participating in the scheme.

6. In the interests of the balance of payments of the United Kingdom, which depends upon the import of food-stuffs and raw materials, it is essential to clear the obstacles to our exports of manufactured goods without abandoning the right to control our imports so long as this is essential to our balance of international payments. The document recognises this fundamental fact. It is to be noted that the preamble to the document stresses the vital need for high and stable levels of employment in all countries, and the necessity for all countries to adopt domestic measures for the preservation of a high level of economic activity. It is, of course, the intention of His Majesty's Government to adopt such measures. But the success of our domestic measures will be assisted, and the expansion of our export trade will be greatly promoted, if other countries also adopt appropriate domestic policies for high and stable levels of employment. For this reason His Majesty's Government particularly welcome this statement of the need for appropriate domestic employment policies.

7. There is one particular matter arising out of the terms of Article VII of the Mutual Aid Agreement which is of especial interest and importance to the British Commonwealth and Empire—that is the question of tariff preferences. I would therefore refer shortly to that aspect of the American document which deals with both tariffs and tariff preferences.

8. The statement sets forth the procedure to be followed by common consent in considering, in the context of a general lowering of tariffs and other trade barriers, what contribution can be made from our side by way of reduction or elimination of preferences.

9. The statement makes it clear that, in pursuit of the objectives of Article VII of the Mutual Aid Agreement, we for our part are ready to agree that the existing system of preferences within the British Commonwealth and the Empire will be contracted provided there is adequate compensation in the form of improvement in trading conditions between Commonwealth and Empire countries and the rest of the world.

10. The statement further provides that in entering negotiations for the reduction of tariffs the parties concerned will not refuse to discuss the modification of particular preferences on the ground that these are the subject of prior commitments; on the contrary, all margins of preference will be regarded as open to negotiation, and it will of course be for the party negotiating the modification of any margin of preference which it is bound by an existing commitment to give a third party, to obtain the consent of the third party concerned.

11. Further points to be noted are :
   (i) The statement makes it clear there is no commitment on any country in advance of negotiations to reduce or eliminate any particular margin of preference. The position is that each country remains free to judge in the light of the offers made by all the others, the extent of the contribution it can make towards the realisation of the agreed objectives.
   (ii) It is recognised that reduction or elimination of preferences can only be considered in relation to and in return for reductions of tariffs and other barriers to World Trade in general which would make for mutually advantageous arrangements for the expansion of trade. There is thus no question of any unilateral surrender of preferences. There must be adequate compensation for all parties affected.

12. The statement does not in advance of the detailed negotiations lay down how far the process of reduction and elimination of preferences will be carried at this immediate stage. It must be realised that some preferences are of particular importance to the economy of certain parts of the world just as some tariffs are important in others. The elimination of all preferences would be such a step as would require a most substantial and widespread reduction of tariffs and other trade barriers by a large number of countries. Thus it is
recognised that the degree to which the final objectives can be reached at the initial stage can only appear at the negotiations themselves and as the result of a mutually advantageous settlement.

13. There are numerous other proposals in the document dealing with general and export subsidies, quantitative restrictions, State trading, restrictive business practices and commodity arrangements, and also with the proposed International Trade Organisation, with which I will not now deal.

14. Both the United States and the United Kingdom intend well in advance of the International Conference to carry on between themselves and other countries, including of course in our case British Commonwealth countries, preliminary negotiations upon the subjects dealt with in the American document, in order to prepare the way for and contribute to the success of the International Conference when it meets. It is hoped that at the International Conference which it is proposed to hold in the summer of next year, these negotiations will be completed on a full international basis and that the International Trade Organisation can be brought into being.

15. As I have said, His Majesty's Government give their support to this attempt to work out the policy set out in Article VII of the Mutual Aid Agreement and adumbrated in the Atlantic Charter. They earnestly hope that all the countries participating in the meeting will find it possible to make such concessions in their existing tariffs, trade barriers and preferences as to lead to their mutual satisfaction and that thus the way may be open to proceed to the setting up of a world trade organisation which can contain within it every form of public and private international commerce and can at the same time, by bringing some measure of order into future trade and commercial relations, contribute to that expansion of international commerce and attainment of full employment on which the future of all countries—and particularly our own—depends so much.

ANNEX B.

SUMMARY OF UNITED STATES PROPOSAL TO ESTABLISH AN INTERNATIONAL TRADE ORGANISATION.

Inter-Relation of Trade and Employment Problems and Measures.

HIGH and stable levels of employment are essential for an enlarged volume of trade. Prosperity in each nation depends on the prosperity of other nations, the levels of employment in the major industrial nations having an especially important influence in this respect. Accordingly there should be an undertaking that—

(1) Each signatory nation will take appropriate action designed to secure full employment within its own jurisdiction.
(2) Maintenance of employment should not be sought through measures which aggravate the trade and employment problems of other nations.

Proposal to Establish an International Trade Organisation.

Measures designed to expand trade are essential to reach maximum employment, production and consumption. To attain these objects continuous international collaboration will be necessary. It is accordingly proposed to establish an International Trade Organisation of the United Nations, the members of which would undertake to conduct their international commercial policies and relations in accordance with agreed principles to be set forth in the articles of the Organisation.

CHAPTER I.—PURPOSES AND PRINCIPLES OF THE ORGANISATION.

These would aim at effective expansion of world production, employment, and the exchange and consumption of goods.

CHAPTER II.—MEMBERSHIP.

This is purely formal.
CHAPTER III.—PRINCIPLES RELATING TO COMMERCIAL POLICY.

A.—General Commercial Provisions.

There would be a body of rules of the kind normally found in Commercial Treaties governing, e.g., internal duties, transit duties, anti-dumping duties, tariff valuations, marks of origin, &c. The working-out of these rules in detail would fall to the International Trade Organisation.

B.—Tariffs and Equality of Tariff Treatment.

Countries should take effective and expeditious steps, on lines to be agreed, to bring about substantial reductions of tariffs and elimination of tariff preferences. Emergency action to prevent sudden and widespread unemployment would be provided for.

C.—Quantitative Restrictions.

The member countries would undertake in general not to maintain any import or export restrictions, subject to the following main exceptions:

1. Restrictions required in the early post-war transition period, to economise shipping space, to secure equitable distribution of products in short supply, and for the orderly liquidation of war surplus stocks in the hands of Governments;
2. Restrictions required to relieve conditions of distress in exporting countries due to shortages of food-stuffs or other essential products;
3. Import quotas on agricultural products necessary to the enforcement of governmental measures (a) restricting marketing or production; or (b) intended to dispose of temporary domestic surpluses;
4. To safeguard the balance of payments.

D.—Subsidies.

1. General subsidies would be permitted; but members should inform the Organisation and be prepared to discuss their action if the subsidy increases exports or diminishes imports.
2. Export subsidies.—These are disapproved. Three years after the end of hostilities, members granting such subsidies would undertake to discuss their action.
3. Commodities in world surplus.—The provisions of 1 and 2 above would not apply to commodities declared by the Organisation to be in burdensome world surplus if inter-governmental action had failed to suggest other ways of removing the surplus. Even then the subsidy should not increase the export share of the country concerned.

E.—State Trading.

1. Equality of Treatment.—Members should accord equality of treatment to other members. For this purpose their State trading enterprises, in making purchases and sales, should be guided solely by commercial considerations, such as price, quality, terms of sale, &c.
2. State monopolies of individual products.—State trading is not to introduce greater protective or preferential margins than would be allowed as a result of tariff negotiations.
3. Complete State monopolies of foreign trade.—Countries should undertake to purchase from other members, on a non-discriminatory products valued at not less than an aggregate amount to be agreed upon.

F.—Exchange Control.

This is dealt with by reference to the International Monetary Fund Agreement.

CHAPTER IV.—PRINCIPLES RELATING TO RESTRICTIVE BUSINESS PRACTICES.

This chapter begins by declaring that certain types of business practice (of which examples are given) may impede full employment policies and the objects of the convention.
Any member may bring to the notice of the Organisation a complaint that the objectives of the document are being frustrated by restrictive business practices of international character. The Organisation is then to investigate the matter and, if the complaint is found justified, may make recommendations to the Governments of the offending business concern for action under their own laws.

Chapter V.—Principles relating to inter-Governmental Commodity Arrangements.

1. Inter-governmental commodity arrangements involving restrictions on production or trade may be desirable to facilitate adjustments and the solution of problems affecting particular commodities, thus avoiding resort to unilateral action by the countries affected.

2. Such arrangements, if they involve limitation of production or exports or allocation of markets, should not be entered into unless and until the Organisation has (1) investigated the root causes of the problem; and (2) has determined that a burdensome world surplus exists which cannot be corrected by the play of market forces; and unless a programme of adjustment has been prepared and adopted by members, calculated to solve the problem in a reasonable time.

3. Governing Principles.—The following principles should govern inter-governmental commodity arrangements: (a) they should be open on equal terms to all members; (b) members substantially dependent on imports of the commodity concerned should have an equal voice with exporting countries; (c) they should assure adequate supplies for world consumption at all times at reasonable prices; (d) they should provide increasing opportunities for meeting world requirements from sources able to supply them most effectively.

4. Such arrangements should not remain in effect initially for more than five years; if renewed, it must be shown that substantial progress towards solution of the underlying problem has been made or is in prospect.

5. Existing or future inter-governmental commodity arrangements should be submitted to the Organisation for review.

Chapter VI.—Organisation.

The International Trade Organisation, its functions, organisation, and rules of procedure, and its relation to other international organisations, are dealt with in detail.
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PROPOSALS FOR CONSIDERATION BY AN INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

A. NEED FOR INTERNATIONAL ECONOMIC CO-OPERATION.

1. Collective measures to safeguard the peoples of the world against threats to peace and to reach just settlements of disputes among nations must be based not only on international machinery to deal directly with disputes and to prevent aggression, but also on economic co-operation among nations with the object of preventing and removing economic and social maladjustments, of achieving fairness and equity in economic relations between states, and of raising the level of economic well-being among all peoples.

2. Important contributions have already been made toward the attainment of these objectives. The Food and Agriculture Organisation of the United Nations has been established. An International Monetary Fund to maintain reasonable exchange stability and facilitate adjustment in the balance of payments of member countries, and an International Bank for Reconstruction and Development to provide financial resources on a co-operative basis for those purposes are awaiting the action of Governments required for their establishment.

3. In order to reach the objectives of the Atlantic Charter and Article VII of the mutual-aid agreements, it is essential that the co-operative economic measures already taken or recommended be supplemented by further 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.

4. Co-operative action with respect to trade and employment is indispensable to the success of such other measures as those dealing with monetary and exchange stability and the flow of investment capital. Effective action in regard to employment and to trade barriers and discriminations must, therefore, be taken or the whole program of international economic co-operation will fail, and an economic environment conducive to the maintenance of peaceful international relations will not be created.

B. PROPOSALS CONCERNING EMPLOYMENT.

Since high and stable levels of employment are a necessary condition for an enlarged volume of trade, and since problems of trade and employment are to be considered jointly at an international conference, the following propositions are advanced.

Governing Principles.

1. It is recognised that:
   a. In all countries high and stable employment is a main condition for the attainment of satisfactory levels of living.
   b. The attainment of approximately full employment by the major industrial and trading nations, and its maintenance on a reasonably assured basis, are essential to the expansion of international trade on which the full prosperity of these and other nations depends; to the full realisation of the objectives of all liberal international agreements in such fields as commercial policy, commodity problems, restrictive business practices, monetary stabilisation, and investment; and, therefore, to the preservation of world peace and security.

2. Domestic programmes to expand employment should be consistent with realisation of the purposes of liberal international agreements and compatible with the economic well-being of other nations.

3. It is recognised that the adoption of the Bretton Woods Agreements and of measures to reduce restrictions on trade will contribute substantially to the maintenance of productive employment.

4. The United Nations have pledged, in the Charter of the United Nations Organisation, to take joint and separate action in co-operation with the Organisation to achieve the economic and social purposes of the United Nations, including higher standards of living, full employment, and conditions of economic and social progress and development.

Effectuation of Aims.

There should be an undertaking that:

1. Each of the signatory nations will take action designed to achieve and maintain full employment within its own jurisdiction, through measures appropriate to its political and economic institutions.

2. No nation will seek to maintain employment through measures which are likely to create unemployment in other countries or which are incompatible with international undertakings designed to promote an expanding volume of international trade and investment in accordance with comparative efficiencies of production.
3 Signatory nations will make arrangements, both individually and collaboratively under the general sponsorship of the Economic and Social Council of the United Nations Organisation, for the collection, analysis and exchange of information on employment problems, trends, and policies.

4 Signatory nations will, under the general sponsorship of the Economic and Social Council, consult regularly on employment problems and hold special conferences in case of threat of widespread unemployment.

C. PROPOSALS CONCERNING AN INTERNATIONAL TRADE ORGANISATION.

Need for an International Trade Organisation.

1. Measures designed to affect an expansion of trade are essential because of their direct contribution to maximum levels of employment, production and consumption. Since such expansion can only be attained by collective measures, in continuous operation and adaptable to economic changes, it is necessary to establish permanent machinery for international collaboration in matters affecting international commerce, with a view to continuous consultation, the provision of expert advice, the formulation of agreed policies, procedures and plans, and to the development of agreed rules of conduct in regard to matters affecting international trade.

2. It is accordingly proposed that there be created an International Trade Organisation of the United Nations, the members of which would undertake to conduct their international commercial policies and relations in accordance with agreed principles to be set forth in the articles of the Organisation. These principles, in order to make possible an effective expansion of world production, employment, exchange and consumption, should:

a. provide an equitable basis for dealing with the problems of governmental measures affecting international trade;

b. provide for the curbing of restrictive trade practices resulting from private international business arrangements; and

c. govern the institution and operation of inter-governmental commodity arrangements.

Proposed International Trade Organisation.

There follows an outline of the principles which it is proposed should be incorporated in the articles of the Organisation.

CHAPTER I.

PURPOSES.

The purposes of the Organisation should be:

1. To promote international co-operation by establishing machinery for consultation and collaboration among member Governments regarding the solutions of problems in the field of international commercial policies and relations.

2. To enable members to avoid recourse to measures destructive of world commerce by providing, on a reciprocal and mutually advantageous basis, continuing opportunities for their trade and economic development.

3. To facilitate access by all members, on equal terms, to the trade and the raw materials of the world which are needed for their economic prosperity.

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.

CHAPTER II.

MEMBERSHIP.

The original members of the Organisation should be those countries participating in the Conference on Trade and Employment which accept membership.

CHAPTER III.

GENERAL COMMERCIAL POLICY.

Section A. General Commercial Provisions.

Members should undertake:

1. To accord to products imported from other members treatment no less favourable than that accorded to domestic products with regard to matters affecting the internal taxation and regulation of the trade in goods.
2 To provide, for products in transit through their territories, coming from or going to other members, freedom from customs and transit duties, from unreasonable transit charges, and from discriminatory treatment of all kinds.

3 To subscribe to a general definition of the circumstances under which antidumping and countervailing duties may properly be applied to products imported from other members.

4 To give effect, as soon as practicable, to agreed principles of tariff valuation designed to assure the use of true commercial values as a basis for assessing duties, and to co-operate with other members and with the Organisation in working out internationally acceptable valuation procedures of a standardised character.

5 To give effect, as soon as practicable, to agreed principles looking toward the simplification of customs formalities with a view to eliminating unnecessary requirements which afford an indirect protection to domestic products.

6 To eliminate excessive requirements regarding marks of origin in so far as they affect products imported from other members.

7 To refrain from governmentally financed or organised boycotts or campaigns designed to discourage, directly or indirectly, importation or consumption of products of other members.

8 To provide for adequate publicity regarding laws and regulations affecting foreign trade, and to maintain or establish national tribunals of an independent character to review and correct administrative customs action.

9 To transmit to the Organisation appropriate trade information and statistics.

10 To co-operate with the Organisation and with other members in carrying out or implementing the articles of the Organisation.

Section B. Tariffs and Preferences.

1. Import tariffs and preferences. In the light of the principles set forth in Article VII of the mutual-aid agreements, members should enter into arrangements for the substantial reduction of tariffs and for the elimination of tariff preferences, action for the elimination of tariff preferences being taken in conjunction with adequate measures for the substantial reduction of barriers to world trade, as part of the mutually advantageous international arrangements contemplated in this document.

As an initial step in the process of eliminating tariff preferences it should be agreed that:

a Existing international commitments will not be permitted to stand in the way of action agreed upon with respect to tariff preferences.

b All negotiated reductions in most-favoured-nation tariffs will operate automatically to reduce or eliminate margins of preference.

c Margins of preference on any product will in no case be increased and no new preferences will be introduced.

2. Export tariffs and preferences. Export duties should be open to negotiation in the same way as import duties. Members should undertake not to impose or maintain export duties which differentiate by reference to the destinations to which the goods are exported.

3. Emergency action. Commitments with regard to tariffs should permit countries to take temporary action to prevent sudden and widespread injury to the producers concerned. Undertakings for reducing tariffs should therefore contain an escape clause to cover such contingencies.

Section C. Quantitative Trade Restrictions.

1. General elimination of quantitative restrictions. Except as provided for elsewhere in this Chapter, members should undertake not to maintain any quotas, embargoes, or other quantitative restrictions on their export or import trade with other members. This undertaking should not, however, apply to the following:

a Import and export prohibitions or restrictions, imposed during the early post-war transitional period, which are essential to (a) the efficient use of shipping space in short supply, (b) the equitable international distribution of products in short supply, or (c) the orderly liquidation of temporary surpluses of Government stocks accumulated as a result of the war. Such prohibitions and restrictions should be removed not later than three years after the close of hostilities, but provision should be made whereby this period may be extended with the concurrence of the Organisation.

b Export prohibitions or restrictions temporarily imposed to relieve conditions of distress in the exporting country caused by severe shortages of foodstuffs or other essential products.

c Export prohibitions or restrictions necessary to the application of suitable standards for the classification and grading of commodities in international commerce.
d Export or import quotas imposed under inter-governmental commodity agreements conforming to the principles set forth in Chapter V.
e Import quotas on agricultural products, imported in any form, necessary to the advancement of governmental measures which operate (a) to restrict the quantities of like domestic products which may be marketed or produced, or (b) to remove a temporary surplus of like domestic products by making such surpluses available to certain groups of domestic consumers free of charge or at prices below the current market level. Such quotas should not be more restrictive than necessary, should be removed as soon as they cease to be necessary for the purposes of this sub-paragraph, and should be made the subject of periodic consultation with the Organisation.

2. Restrictions to safeguard the balance of payments. Members confronted with an adverse balance of payments should be entitled to impose quantitative import restrictions as an aid to the restoration of equilibrium in the balance of payments. This provision should be operative under conditions and procedures to be agreed upon. These conditions and procedures:

a should set forth criteria and requirements in the light of which balance-of-payments restrictions might be imposed;
b should, as regards the use of such restrictions in the post-war transitional period, be framed on principles which would be designed to promote the maximum development of multilateral trade during that period and which in no event would be more restrictive of such trade than the principles applicable, under Article XIV of the International Monetary Fund Agreement, to exchange restrictions in the transitional period;
c should provide for the determination of the transitional period for the purposes of sub-paragraph 2b, above, by a procedure analogous to that contained in Article XIV of the International Monetary Fund Agreement;
d should provide for the full application of non-discrimination in the use of such restrictions after the transitional period; and
e should make appropriate provision for international consultation regarding balance-of-payments restrictions, whether imposed during the transitional period or thereafter.

3. Equality of treatment. Quantitative restrictions imposed on balance-of-payments grounds should be deemed non-discriminatory if they are administered on a basis which does not discriminate among sources of supply in respect of any imported product.

a In the case of restrictions imposed in the form of quotas, members imposing such quotas should publish the global amounts or values of the various products which will be permitted to be imported during a specified future period. Any allocation of such quotas among sources of supply should be based so far as practicable upon the proportion of the total imports of the product in question supplied by the various member countries in a previous representative period, account being taken of any special factors which may have affected or which may be affecting the trade in that product.
b In the case of restrictions not imposed in the form of quotas, the member imposing the restrictions should undertake to provide, upon the request of any other member having an interest in the product concerned, all relevant information regarding the import licenses granted over a past period and the distribution of such licenses among sources of supply.
c Any member should be entitled to raise with the Organisation the question as to whether another member was imposing balance-of-payments restrictions, whether in the form of quotas or otherwise, in a manner not in harmony with the guiding principles stated above or in a manner which unnecessarily injured its commerce, and the member imposing the restrictions should undertake in these circumstances to discuss the grounds on which it had acted.

4. Inconvertible currencies. The undertakings set forth in paragraph 3, above, should not apply in cases in which their application would have the effect of preventing a member from utilising inconvertible currencies for buying needed imports.
5. Scarce currencies and currencies of territories having a common quota in the Monetary Fund. Members should not be precluded by this Section from applying quantitative restrictions a) in pursuance of action which they may take under Article VII of the International Monetary Fund Agreement relating to scarce currencies, or b) in a manner designed to maintain the par value of the currencies of territories having a common quota in the Monetary Fund, in accordance with Article XX, Section 4(g) of that Agreement.

6. Application of quantitative restrictions by state-trading organisations. The provisions of this Section relating to quantitative restrictions on imports for balance-of-payments reasons should apply equally to the restriction of imports by state-trading organisations for the same reasons.

Section D. Subsidies.

1. Subsidies in general. Subject to the provisions of paragraphs 2 and 3, below, members granting any subsidy which operates to increase exports or reduce imports should undertake to keep the Organisation informed as to the extent and nature of the subsidy, as to the reason therefor and as to the probable effects on trade. They should also be prepared, in cases where, under procedures approved by the Organisation, it is agreed that serious injury to international trade threatens to result from the operation of the subsidy, to discuss with other members or with the Organisation possible limitations on the quantity of the domestic product subsidised. In this paragraph, the term "subsidy" includes any form of internal income or price support.

2. Export subsidies. Subject to the provisions of paragraph 3, below, members should undertake not to take any action which would result in the sale of a product in export markets at a price lower than the comparable price charged for the like product to buyers in the home 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 undertaking should take effect, at latest, within three years of the establishment of the Organisation. If at the end of that time any member considers itself unable to comply with the undertaking in respect of any particular commodity or commodities, it should inform the Organisation, with an explanation of the reasons. It should then be decided by consultation among the interested members under procedures approved by the Organisation whether there should be some further extension of time for the member desiring it in respect of the commodity or commodities concerned.

3. Commodities in surplus supply.
   a) When it is determined, in accordance with procedures approved by the Organisation, that a commodity is, or is likely to become in burdensome world surplus, the members which are important producers or consumers of the commodity should agree to consult together with a view to promoting consumption increases, to promoting the reduction of production through the diversion of resources from uneconomic production, and to seeking, if necessary, the conclusion of an inter-governmental commodity arrangement in accordance with the principles of Chapter V.
   b) If, however, within a reasonable time to be agreed upon, such steps should fail of their object, the provisions of paragraphs 1 and 2, above, should cease to apply to such product until such time as it has been agreed under procedures approved by the Organisation that those provisions should be re-applied to it.
   c) With regard to any export subsidies which may be imposed under sub-paragraph b, no member should employ such subsidies so as to enlarge its share of the world market, as compared with the share prevailing in a previous representative period. The question as to what period would be representative in respect of the particular product concerned should be a subject for international consultation through the Organisation.

Section E. State Trading.

1. Equality of treatment. Members engaging in state trading in any form should accord equality of treatment to all other members. To this end, members should undertake that the foreign purchases and sales of their state-trading enterprises shall be influenced solely by commercial considerations, such as price, quality, marketability, transportation and terms of purchase or sale.

2. State monopolies of individual products. Members maintaining a state monopoly in respect of any product should undertake to negotiate, in the manner contemplated for tariffs, the maximum protective margin between the landed price of the product at the frontier and the price at which the product (of whatever origin, domestic or foreign) is sold in the home market. Members newly establishing such monopolies should agree not to create protective margins greater than the tariffs which may have been negotiated
in regard to those products. Unless the product is subject to rationing, the monopoly should offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand.

3. Complete state monopolies of foreign trade. As the counterpart of tariff reductions and other actions to encourage an expansion of multilateral trade by other members, members having a complete state monopoly of foreign trade should undertake to purchase annually from members, on the non-discriminatory basis referred to in paragraph 1, above, products valued at not less than an aggregate amount to be agreed upon. This global purchase arrangement should be subject to periodic adjustment in consultation with the Organisation.

Section F. Exchange Control.

1. Relation to the International Monetary Fund. In order to avoid the imposition of trade restrictions and discriminations through exchange techniques, the members of the International Trade Organisation should abide by the exchange principles established pursuant to the Articles of Agreement of the International Monetary Fund and for this reason it should be required that the Organisation and the Fund have a common membership.

2. Equality of Exchange Treatment. Members maintaining or establishing exchange restrictions should undertake to accord to the trade of other members the equality of treatment with respect to all aspects of such restrictions required under the provisions of the Articles of Agreement of the International Monetary Fund or, in cases where the approval of the Fund is required, the equality of treatment prescribed by the Fund after consultation with the International Trade Organisation.

Section G. General Exceptions.

The undertakings in this Chapter should not be construed to prevent members from adopting or enforcing measures—

1. necessary to protect public morals;
2. necessary to protect human, animal or plant life or health;
3. relating to the traffic in arms, ammunition and implements of war, so in exceptional circumstances, all other military supplies;
4. relating to the importation or exportation of gold or silver;
5. necessary to induce compliance with laws or regulations, such as those relating to customs enforcement, deceptive practices, and the protection of patents, trademarks and copyrights, which are not inconsistent with the purpose of the Organisation;
6. relating to prison-made goods;
7. imposed for the protection of national treasures of artistic, historic or archaeological value;
8. undertaken in pursuance of obligations for the maintenance of peace and security; or
9. imposed, in exceptional cases, in accordance with a recommendation of the Organisation formulated in accordance with criteria and procedures to be agreed upon.

Section H. Territorial Application of Chapter III.

1. Customs territories. The provisions of Chapter III should apply to the customs territories of the members. If any member has more than one customs territory under its jurisdiction, each customs territory should be considered a separate member for the purpose of applying the provisions of Chapter III.

2. Frontier traffic and customs unions. The provisions of Chapter III should not prevent member a) from according advantages to adjacent countries in order to facilitate frontier traffic or b) from joining a customs union, provided that such customs union meets certain agreed criteria. Members proposing to join a customs union should consult with the Organisation and should make available to it such information as would enable it to make appropriate reports and recommendations.

CHAPTER IV.

Restricitive Business Practice.

1. Curbing of restrictive business practices. There should be individual and concerted efforts by members of the Organisation to curb those restrictive business practices in international trade (such as combinations or agreements to fix prices and terms of sale, divide markets or territories, limit production or exports, suppress technology or invention, exclude enterprises from particular fields, or boycotts or discriminate against particular firms) which have the effect of frustrating the objectives of the Organisation to promote expansion of production and trade, equal access to markets and raw materials, and the maintenance in all countries of high levels of employment and real income.
2. Co-operation among members. In order to achieve the purposes of paragraph 1, the Organisation should be charged with the furtherance of this objective. The Organisation should receive complaints from any member (or, with the permission of the member, from commercial enterprises within its jurisdiction who allege that their interests are affected), that the objectives of the Organisation are being frustrated by a private international combination or agreement. The Organisation should be empowered to call upon any member to provide information relevant to such a complaint; it should consider such data and, if warranted, make recommendations to the appropriate members for action in accordance with their respective laws and procedures; it should be empowered to request reports from members as to their actions in implementing such recommendations, and to report thereon. The Organisation should also be authorised, within the scope of its subject matter, to conduct studies, to make recommendations concerning uniform national standards, and to call conferences of member States for purposes of general consultation.

3. Continuation effectiveness of national laws and regulations directed against restrictive business practices. Any act or failure to act on the part of the Organisation should not preclude any member from enforcing within its own jurisdiction any national statute or decree directed toward the elimination or prevention of restrictive business practices in international trade.

4. Special enforcement arrangements. It should be provided that members may, by mutual accord, co-operate in measures for the purpose of making more effective any remedial order which has been issued by a duly authorised agency of another member.

Chapter V. Inter-governmental Commodity Arrangements.

The production of, and trade in, primary commodities is exposed to certain difficulties different in character from those which generally exist in the case of manufactured goods; and these difficulties, if serious, may have such widespread repercussions as to prejudice the prospect of the general policy of economic expansion. Members should therefore agree upon the procedure which should be adopted to deal with such difficulties.

1. Special commodity studies.

a. Special studies should be made in accordance with the procedure set forth in b, below, of the position of particular commodities of which excess supplies exist or are threatened, to the end that, if possible, consumption may be increased and the anticipated difficulties may thereby be averted.

b. Members substantially interested in the production or consumption of a particular commodity should be entitled, if they consider that special difficulties exist or are expected to arise regarding that commodity, to ask that a special study of that commodity be made, and the Organisation, if it finds that these representations are well founded, should invite the members principally concerned in the production or consumption of that commodity to appoint representatives to a Study Group to make a special study of that commodity.

2. Inter-governmental commodity conferences. If it is concluded, in the light of an investigation of the root causes of the problem, that measures for increasing the consumption of a commodity are unlikely to operate quickly enough to prevent excess supplies of the commodity from accumulating, the members may ask the Organisation to convene an inter-governmental conference for the purpose of framing an inter-governmental commodity agreement for the commodity concerned.

3. Objectives of inter-governmental commodity agreements. It should be recognised that inter-governmental commodity agreements involving restrictions on production or trade would be justified in the circumstances stated in paragraph 2 above to achieve the following objectives:

a. To enable member countries to find solutions to particular commodity problems without resorting to unilateral action that tends to shift the burden of their problems to other countries.

b. To prevent or alleviate the serious economic problems which may arise when, owing to the difficulties of finding alternative employment, production adjustments cannot be achieved by the free play of market forces as rapidly as the circumstances require.

c. To provide a period of transition which will afford opportunities for the orderly solution of particular commodity problems by agreement between member Governments upon a program of over-all economic adjustments designed to promote a shift of resources and man-power out of over-expanded industries into new and productive occupations.
4. Principles of inter-governmental commodity agreements. Members should undertake to adhere to the following principles governing the institution of inter-governmental commodity agreements:

a. Members having an interest in the production or consumption of any commodity for which an inter-governmental commodity agreement is proposed, should be entitled to participate in the consideration of the proposed agreement.

b. Members should undertake not to enter into inter-governmental commodity agreements involving the limitation of production or exports or the allocation of markets, except after:

1) Investigation by the Study Group of the root causes of the problem which gave rise to the proposal;
2) Determination, in accordance with procedures approved by the Organisation, either:
   a) that a burdensome surplus of the product concerned has developed or is developing in international trade and is accompanied by widespread distress to small producers accounting for a substantial proportion 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
   b) 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, i) a substantial reduction of employment, and ii) the resulting increase in consumption but leads instead to the reduction of employment, and li) the resulting unemployment cannot be remedied by normal processes of reallocation;

3) Formulation and adoption by members of a programme of economic adjustment believed to be adequate to insure substantial progress toward solution of the problem within the time limits of the agreement.

c. Inter-governmental agreements involving the limitation of production or exports or the allocation of markets in respect of fabricated products should not be resorted to unless the Organisation finds that exceptional circumstances justify such action. Such agreements should be subject to the principles set forth in this Chapter, and, in addition, to any other requirements which the Organisation may establish.

5. Operation of commodity agreements. Members should undertake to adhere to the following principles governing the operation of inter-governmental commodity agreements:

a. The agreements should be open to accession by any member on terms not less favourable than those accorded to members parties thereto.

b. The members adhering to such agreements which are largely dependent for consumption on imports of the commodity involved should, in any determinations made relating to the regulation of prices, trade, stocks, or production, have together a voice equal to those largely interested in obtaining export markets for their production.

c. The agreements should, when necessary, contain provisions for assuring the availability of supplies adequate at all times for world consumption requirements at reasonable prices.

d. The agreements should, with due regard to the transitional need for preventing serious economic and social dislocation, make appropriate provision to afford increasing opportunities for satisfying world requirements from sources from which such requirements can be supplied most effectively.

6. Termination and renewal of commodity agreements. Inter-governmental commodity agreements should not remain initially in effect for more than five years. The renewal of an agreement should be subject to the principles governing new agreements set forth in paragraph 4, above, and to the additional principle that either a) substantial progress toward a solution of the underlying problem shall have been accomplished during the initial period of the agreement or that b) the renewed agreement is so revised as to be effective for this purpose.
7. **Review of commodity agreements.** Members should undertake to transmit to the Organisation, for review, inter-governmental commodity agreements in which they now participate or in which they propose to participate in the future. Members should also transmit to the Organisation appropriate information regarding the formulation, provisions and operation of such agreements.

8. **Publicity.** Full publicity should be given to any commodity agreement proposed or concluded, to the statements of considerations and objectives advanced by the proposing members, to the operation of the agreements, and to the nature and development of measures adopted to correct the underlying situation which gave rise to the agreement.

9. **Exceptions.** The provisions of Chapter V are not designed to cover international agreements relating to the protection of public morals; the protection of human, animal or plant life or health; the conservation of reserves of exhaustible natural resources; the control of international monopoly situations; or the equitable distribution of commodities in short supply. However, such agreements should not be used to accomplish results inconsistent with the objectives of Chapter IV or Chapter V. If any such agreement involves the restriction of production or of international trade, it should not be adopted unless authorised or provided for by a multilateral convention subscribed to by a substantial number of nations, or unless operated under the Organisation.

**CHAPTER VI.**

**ORGANISATION.**

**Section A. Functions.**

The functions of the Organisation should include the following: —

1. To collect, analyse and publish information, regarding the operation of Chapter III, relating to general commercial policy, Chapter IV, relating to the prevention of restrictive business practices, and Chapter V, relating to inter-governmental commodity arrangements, or in general regarding international trade and commercial policy.

2. To provide technical assistance to members as may be required or appropriate under the provisions of Chapters III, IV and V.

3. To make recommendations to members regarding the operation of Chapters III, IV and V, including the following: —
   a. Recommendations regarding the relaxation or removal of trade control measures permitted under Chapter III.
   b. Recommendations as to measures for implementing the objectives with regard to restrictive private business practices, set forth in Chapter IV.
   c. Recommendations regarding the application to commodity arrangements under consideration by members of the principles governing commodity arrangements set forth in Chapter V; 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 designed to promote the maximum obtainable consistency in the operation of Chapters III, IV and V and in other arrangements in the fields of general commercial policy, commodity arrangements and private business practices.

4. To interpret the provisions of Chapters III, IV and V, to consult with members regarding disputes growing out of the provisions of those Chapters, and to provide a mechanism for the settlement of such disputes.

5. In accordance with criteria and procedures to be agreed upon, to waive particular obligations of members, in exceptional circumstances.

6. To make recommendations for international agreements designed to improve the bases of trade and to assure just and equitable treatment for the enterprises, skills and capital 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.

7. Generally to perform any function appropriate to the purposes of the Organisation.

**Section B. Organs.**

The Organisation should have as its principal organs: A Conference, an Executive Board, a Commercial Policy Commission, a Commission on Business Practices, a Commodity Commission, and a Secretariat.
Section C. The Conference.
The Conference should have final authority to determine the policies of the Organisation and to exercise the powers conferred upon the Organisation.

1. Membership. All States members of the Organisation should be members of the Conference.

2. Voting. Each member of the Conference should have one vote. Except as may be otherwise specifically provided for, decisions of the Conference should be reached by a simple majority vote. It may be desirable to provide for special voting arrangements with regard to the exercise of certain functions of the Organisation.

3. Sessions. The Conference should meet at least once a year.

Section D. The Executive Board.
The Executive Board should be authorised to take provisional decisions between meetings of the Conference and to exercise such powers as may be delegated to it by the Conference. The Conference should in general be authorised to delegate its powers to the Executive Board.

1. Membership. The Executive Board should consist of not more than eighteen member States, each of which should have one representative. Member States of chief economic importance should have permanent seats. The Conference should elect the States to fill the non-permanent seats for 3-year terms, one-third of the non-permanent members retiring every year. The number of non-permanent seats should exceed the number of permanent seats, but the latter should not be fewer than one-third of the total number of seats.

2. Voting and Sessions. The Executive Board should regulate its own procedure.

Section E. The Commissions.
The Commission on Commercial Policy, the Commission on Business Practices and the Commodity Commission should be responsible to the Executive Board. Each Commission should be given as much initiative and independence of action as may be necessary for the effective discharge of its functions.

1. Membership. The Commissions should be composed of experts appointed by the Executive Board. The terms and other conditions of office of the members of the Commissions should be determined in accordance with regulations prescribed by the Conference. Such terms and conditions need not be uniform, but may vary from Commission to Commission. Pursuant to the reciprocal arrangements with other specialised international organisations contemplated in Section H, paragraph 2, of this chapter, provision should be made for appropriate representation on the Commodity Commission of the Food and Agriculture Organization of the United Nations and of other specialised international organisations having an important interest in the commodity operations discussed in Chapter V.

2. Chairmen. The Chairmen of the Commissions should be non-voting members of the Executive Board and should be permitted to participate, without vote, in the deliberations of the Conference.

3. Voting and Sessions. Each Commission should regulate its own procedure, subject to any decisions made by the Executive Board.

4. Functions. The functions of the Commissions should include the following:

a. The Commercial Policy Commission. The Commercial Policy Commission should:
   1) Review, and advise the Executive Board regarding, the operation of treaties, agreements, practices and policies affecting international trade.
   2) Investigate, and advise the Executive Board regarding, the economic aspects of proposals to waive certain obligations of members in accordance with the provisions of paragraph 5, Section A, of this chapter.
   3) Investigate, and advise the Executive Board regarding, the economic aspects of proposed customs unions.
   4) Develop, and recommend to the Executive Board, for adoption by members of the Organisation, co-operative projects of a technical nature in the field of commercial policy (e.g., standard bases and methods of determining dutiable value, uniform customs nomenclature, and standardisation of statistical methods and nomenclature in foreign trade statistics).
   5) Develop and recommend to the Executive Board additional programs designed to further the objectives of the Organisation in the general field of commercial policy.
b The Commission on Business Practices. The Commission on Business Practices should:

1) Inquire into activities on the part of private commercial enterprises which have the effect or purpose of restraining international trade, restricting access to international markets, or of fostering monopolistic controls in international trade.

2) Advise the Executive Board with regard to the recommendations which should be made to members in respect of business divestitures, reorganisations, dissolutions, or other remedial actions.

3) Conduct investigations and make recommendations to the Executive Board looking to the adoption in all countries of codes of fair business practices designed to facilitate and enlarge the flow of international trade.

4) Advise the Executive Board as to the types of information which members should file with the Organisation.

5) Facilitate appropriate inter-governmental arrangements for the international exchange of technological information, on a non-discriminatory basis.

c The Commodity Commission. The Commodity Commission should:

1) Investigate commodity problems, including the problem of an international buffer stocks organisation or other arrangements which are proposed as a means of promoting solutions to commodity problems.

2) Make recommendations to the Executive Board on appropriate courses of action, including recommendations for the establishment of Study Groups for particular commodities. Such Study Groups should be established by the Executive Board, upon the recommendations of the Commodity Commission, for the purpose of investigating problems with respect to particular commodities. The Study Groups should be composed of representatives of member Governments invited to participate by the Executive Board and one or more representatives designated by the Commodity Commission.

3) Make recommendations to the Executive Board as to whether or not a particular commodity is in world surplus.

4) Make recommendations to the Executive Board as to whether an application made by a member for the convening of an inter-governmental conference should be granted.

5) Designate members of the Commission to participate in an advisory capacity in the formulation of inter-governmental commodity agreements.

6) Make recommendations to the Executive Board regarding the application of the commodity agreements under consideration by members.

7) Designate the Chairman and Secretary for any Commodity Council established to administer an inter-governmental commodity agreement.

8) Maintain continuous review of the conduct of the operations of inter-governmental commodity agreements in the light of the terms of the agreements, the commodity principles in Chapter V, and the general welfare; and make recommendations to the Executive Board with regard thereto.

Section F. Industrial and Mineral Unit.

The Conference should create an Industrial and Mineral Unit responsible to the Executive Board. The Industrial and Mineral Unit should promote by technical assistance and other appropriate means the expansion of production and trade with regard to fabricated products and with regard to minerals and other primary commodities in respect of which such promotional activities are not under the jurisdiction of the Food and Agriculture Organisation.

Section G. The Secretariat.

The Secretariat, which should be divided into three or more offices, should serve all the organs of the Organisations and the Commodity Councils established to administer specific commodity arrangements. It should be headed
by a Director-General. Under his authority there should be three or more Deputy Directors-General each of whom should be in charge of an office. The Director-General, and on the advice of the Director-General, the Deputy Directors-General, should be appointed by the Conference upon the nomination of the Executive Board. The Director-General should be the chief administrative officer of the Organisation and should be an ex officio member, without vote, of the Executive Board. Three Deputy Directors-General should be ex officio members of the three Commissions. The Director-General and the Deputy Directors-General should have the authority to initiate proposals for the consideration of any organ of the Organisation.

Section H. Relations with other Organisations.

1. Relations with the United Nations Organisation. The Organisation should be brought into relationship with the United Nations Organisation on terms to be determined by agreement between the Executive Board and the appropriate authorities of the United Nations Organisation, subject to approval by the Conference.

2. Relations with other specialised international organisations. In order to provide for close co-operation between the Organisation and other specialised international organisations with related responsibilities, the Executive Board, subject to the approval of the Conference, should be authorised to enter into agreements with the appropriate authorities of such organisations defining the distribution of responsibilities and methods of co-operation.

3. Administrative arrangements. The Director-General should be authorised, subject to the authority of the Conference or of the Executive Board, to enter into agreements with other international organisations for the maintenance of common services, for common arrangements in regard to recruitment, training, conditions of service, and other related matters, and for interchanges of staff.
ANNEX D

PROCEDURE FOR NEGOTIATING AND IMPLEMENTING THE "PROPOSALS FOR CONSIDERATION BY AN INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT."

AS soon as possible after the current discussions between the United States and the United Kingdom regarding the "Proposals for Consideration by an International Conference on Trade and Employment" (Annex C) have been completed, the United States should publish the Proposals, together with a condensed statement of objectives, as the work of American experts. This statement would (a) set forth the substance of the Proposals (as amended in the course of the current discussions), (b) indicate the view of the United States Government that an international conference on trade and employment should be called not later than the summer of 1948 to consider it, (c) indicate that the United States would be prepared to urge that the United Nations Organisation call such a conference as one of their first important acts, and (d) urge that, in view of the complexity of the trade-barrier problem, Governments immediately begin negotiations on this subject with a view to contributing to the success of the conference.

2. This statement should be published about the middle of November 1945. At the same time, the diplomatic missions of the United States should deliver copies to the Governments of all countries with which it maintains diplomatic relations (with one or two possible exceptions) for their information and comment. Both publication and delivery would be so worded as not to imply any invitation to the conference.

3. The United Kingdom might thereafter wish to associate itself in some way with the substance of the Proposals.

4. At the time of publication under 2 above, the United States should address invitations to the Governments of the United Kingdom, Canada, Australia, New Zealand, the Union of South Africa, India, France, Belgium, Netherlands, U.S.S.R., China, Brazil, Cuba and Czechoslovakia asking them to designate representatives to meet in some time in the spring of 1946 for the purpose of negotiating with regard to trade barriers in accordance with the suggestion in the statement of objectives. The invitations would make it clear that the results of the negotiations would be such as would be "open to all countries of like mind" in the language of Article VII of the mutual-aid agreements.

5. The United States, in accordance with the requirements under the Trade Agreements Act, should issue public notice of intention to negotiate with those Governments which have accepted the invitation referred to in 4 above, such notice to be accompanied by a list of the products of which the other countries are, or are likely to become, principal suppliers and on which concessions by the United States would be considered.

6. At the meeting in the spring of 1946, each country should present a schedule of the tariff concessions which it would be prepared to include in an agreement with the other countries, such an agreement also to contain mutually acceptable provisions dealing with tariff preferences and non-tariff trade barriers. Each country should also be prepared to make requests of the tariff concessions which it desires to receive from the others.

7. The tariff concessions in the schedule proposed by each country should be offered to all the other countries as a group. Each country would thus obtain in its own right all of the concessions made by each of the other countries.

8. With regard to non-tariff trade barriers, there should be included in the draft agreement provisions, uniformly applicable to the trade of all participants, giving effect to the objectives as to non-tariff trade barriers which are set forth in Chapter III of the Proposals (e.g., elimination of exchange controls, regulation of subsidies, abolition of quotas, &c.).

9. These discussions would also afford opportunity for consultation among the drafting countries regarding all other elements in the Proposals (i.e., questions of employment, commodity policy, cartel policy, and an international trade organisation). Since many of these countries will undoubtedly also be members of the Economic and Social Council it should not be difficult to keep the Council informed of the progress of these discussions in connection with its own work of
preparing for the conference. Lack of progress on these matters, either in the drafting group or in the Economic and Social Council, should not be permitted to delay the opening of the conference beyond the summer of 1946.

10. The tentative agreement among the drafting countries (excluding the tariff schedules) would be subject to change at the conference, in the light of the considerations advanced by other countries.

11. The conference should also consider the questions of adherence to the agreement and the treatment to be accorded by countries which accept the agreement to the trade of those which do not accept it and of any countries not invited to participate in the conference. The drafting countries should propose that non-drafting countries be considered as provisionally adhering to the agreement upon acceptance of (a) the non-tariff provisions, and (b) a commitment to undertake bilateral tariff negotiations with the other countries adhering to the agreement. Countries considered as adhering provisionally before they have completed tariff negotiations must be required to give adequate concessions in return for benefits which they receive as a result of other tariff negotiations already concluded. The drafting countries should also propose that, subject to exceptions for particular countries recommended by the proposed International Trade Organisation, the benefits of the agreement should, after a reasonable period of time, be withheld from the trade of those countries which failed to adhere to it, and that the tariff concessions should similarly be withheld from the trade of countries which, having adhered, failed to negotiate tariff reductions judged by the International Trade Organisation to be in conformity with the spirit of the agreement. Drafting countries and provisionally adhering countries should retain full liberty of action to determine whether to extend most-favoured-nation treatment to the trade of countries not invited to participate in the conference and not immediately eligible to adhere to the convention. Decision in such cases would presumably be influenced by the adequacy of arrangements made by the non-adhering countries in liberalising their trade more or less pari passu with the action taken by adhering countries. Findings and reports of the proposed International Trade Organisation regarding the trade and commercial policies of non-adhering countries might assist adhering countries in reaching such decisions.

12. Upon the close of the conference the agreement would be brought into force among the drafting countries and such other countries as would join, in accordance with their constitutional procedures.