

Paragraph 5 requires State trading monopolies to satisfy the full domestic demand for the imported product, wherever this principle can be effectively applied.

The Preparatory Committee considered the special case of countries maintaining a complete or substantially complete monopoly of their whole foreign trade. The New York draft made special provision for economies of this type in an Article entitled "Expansion of Trade by Complete State Monopolies of Import Trade." Since no representative of a country with this type of economy attended the sessions of the Preparatory Committee it was decided to leave for the decision of the World Conference the question whether such economies were adequately provided for in Article 31.

The proposal of the New Zealand Delegation, which is referred to in the footnote to Article 31, was a proposal based on the view that, if countries maintaining a complete State monopoly of their foreign trade or carrying out State trading operations were to be provided for in the Charter, special provision should also be made for countries which maintained a complete control of their foreign trade by other methods. The New Zealand proposal was designed to ensure that such countries should expand their foreign trade in consonance with the purpose of the Charter, and included certain safeguards against the use of such controls in a restrictive and discriminatory manner to the prejudice of the interests of other Members.

The Preparatory Committee, while fully recognizing the value of the objectives of the New Zealand proposal in relation to the purpose of the Charter, was concerned also to avoid abuse of such a provision in the Charter by countries which might not pursue the expansionary policy which New Zealand affirmed.

The opinion, therefore, of the Preparatory Committee was that, since the maintenance of quantitative regulation of trade in the case of economies of the New Zealand type was closely related to the fact that such economies carried out domestic policies of full employment and economic development involving the maintenance of a high level of effective demand, including demand for imports, Article 21 should be so written as to recognize this situation. Accordingly, Article 21, paragraph 3 (*b*), was drafted in its present form.

The reservation of the New Zealand Delegation was recorded in order that the Government might study the full implications of the position.

#### SECTION E.—GENERAL COMMERCIAL PROVISIONS. (Articles 32–39)

This Section contains general commercial provisions of a technical nature, which are of considerable importance in the Charter in relation to other provisions respecting the reduction of trade barriers. The mere reduction of a tariff, for example, is not of real significance unless