

UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL  
PREPARATORY COMMITTEE  
of the  
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

VERBATIM REPORT OF THE THIRD  
MEETING OF COMMITTEE II

held in

The Hoare Memorial Hall,  
Church House, Westminster, S.W.1.

on

Friday 25 October 1946

at

11.a.m.

Chairman: Dr. H. C. Coombs (Australia)

CORRIGENDUM

The speeches of Mr. C.L. TUNG (China) should read as follows:-

1. Page 10. "Referring to the subject of most-favoured-nation treatment, the Chinese delegation wishes to make two points of observation. The first is concerned with its interpretation. We all realize that one of the main purposes of the proposed Trade Conference is to bring about a general reduction of tariffs, tariff preferences, and other trade barriers. But this can only be achieved, we think, by the implementation of this most-favoured-nation clause, with automatic and unconditional interpretation. In view, however, of the present circumstances we do not think that that would be immediately practicable. China has been in the past constantly adhering to the principle of the unconditional application

of the most-favoured-nation clause in her commercial relations with the rest of the world; and the Chinese Delegation are prepared to say that we still intend to adhere to the same principle. But as the success of this application depends upon how many nations would subscribe to this interpretation and also upon what nations would subscribe, and in addition, what are the exceptions they are going to make from this principle. While expressing our determination to abide by the unconditional application of this most-favoured-nation principle in future, we want to withhold our decision until the time when the majority of the major trading nations have declared their intentions. In the meantime, we want to make it clear that so long as there are existing preferential tariff practices in certain parts of the world, China wants to reserve its right to adopt any preferential measures or to make any preferential arrangements with any member-nation at any time. This is the point we want to make concerning the application of the most-favoured-nation clause.

"The second point we want to make is with reference to the text of the proposed American Draft Charter: Article 8, paragraph 1, the second sentence. This whole paragraph refers to the application of the most-favoured-nation treatment, and the last sentence reads: 'The principle underlying this paragraph shall also extend to the awarding by members of governmental contracts for public works, in respect of which each member shall accord fair and equitable treatment to the commerce of the other members.' In the opinion of the Chinese Delegation, this provision is quite unnecessary and may even lend itself to a misleading construction. It is unnecessary if it is meant - as the text could be taken to mean - to apply to the imports or exports involved in the government contracts in question, as these purely administrative or fiscal matters are already sufficiently covered by the general principle laid down in the preceding sentence

to need no separate provision. If, on the other hand, it has reference to non-administrative or non-fiscal matters, then it constitutes a serious encroachment on the freedom of any sovereign government to award contracts on the merits of tenders submitted at competitive prices - an act which normally lies outside the sphere of international regulation. The phrase "fair and equitable treatment", in particular, may be construed as application of the most-favoured-nation principle to all foreign nations where transactions with one or more of them are contemplated. Under this regime there is little if any freedom for the member governments to pursue their economic programme, especially if they have to undertake public works with foreign aid. It is for these reasons that we propose the **deletion** of the last sentence of paragraph 1 of Article 8 of the American Draft Charter, if that text is to be adopted."

2. Page 19. "Mr. Chairman, I wish to call the attention of the United States Delegate to these words: 'fair and equitable treatment to the commerce of other Members'. Does that mean that if China, for instance, is making a contract with India for certain purchases, China must also make an equitable purchase from other countries, such as Argentina or Brazil? If that is what it means, it is impossible. We place our contracts on purely commercial considerations, at competitive prices. If we adopt these words 'fair and equitable treatment', it might be understood to mean that we must give an equal or equitable share to all member countries. So I think the second sentence in paragraph 1 of Article 8 is quite unnecessary. If the intention is to ensure that the commerce of all member nations should have equitable treatment, then the provisions in the first sentence of this paragraph are quite sufficient to cover all the points. So that I think we should insist on the deletion of that last sentence from this paragraph."

3. Page 32. "Mr. Chairman, the Chinese Delegation would have no objection to this sentence if it is clearly understood to mean what was stated by the United States Delegate a few minutes ago; but we request that the wording of this sentence should be changed by the Drafting Committee, to convey the real meaning, and we would like to make some written suggestion on this point."

4. Page 63. "Mr. Chairman, with regard to tariffs and tariff preferences, the Chinese Delegation wish to make a few brief remarks. We are prepared to enter into negotiations with all nations as to tariff reduction, but we must make it clear that our reduction of tariffs will be selective in character and will not take the form of a general reduction. As a matter of fact, we are prepared to reduce the import tariff on many capital goods, such as various types of machinery, vehicles, necessary materials and so on; but, on the other hand, we must provide reasonable protection for those commodities in connection with our industrialization; that is, we must protect ourselves against those commodities which are similar to our native products of infant industries, and also certain kinds of agricultural products. As to the standard of protection, we want to re-state the views I expressed the other day; that we must have a transition period during which we can maintain such reasonable measures of protection, and the length of that transition period must depend upon the progress of industrialization. As to the point about preferential treatment, we want to make it clear that we do not want to maintain or impose any preferential measures; but if we find ourselves surrounded by preferential markets, we reserve the right to make any preferential arrangements with any nation on the basis of complementary requirements, by which we mean the exchange of privileges between the two nations on the basis of mutual requirements in demand and supply of special commodities. We wish to say that

China's tariff has been non-discriminatory toward all nations and is one of the lowest in the world. We do not want to impose any preferential measures, unless we are forced to do so. I feel that the views expressed by many delegations are in accord with this, but we still want to reserve the right for further discussion on this point."

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