

HEADS OF DELEGATIONS

SUMMARY RECORD OF MEETING

Held at the Capitol, Havana, Cuba
Wednesday, 24 December 1947 at 10.30 a.m.

President: Mr. Sergio I. CLARK (Cuba)

After an exchange of views, it was agreed that there should be meetings of sub-committees and working parties on Friday afternoon and Saturday.

The PRESIDENT explained that the purpose of this meeting was to review the progress of work and to endeavour to find a basis of understanding concerning various important issues. He expressed anxiety as regards the progress of the Conference and hoped that the present informal debate would assist in the reconciliation of divergent views.

Mr. COLBAN (Norway) was not pessimistic about the progress of the Conference considering that forty delegations were discussing the Charter for the first time. Many amendments had been proposed, some of which were interesting, and significant, but others showed that their authors had not appreciated the value of the Geneva Draft.

If the present text of the Charter were to be compared with the original United States proposals, it would be seen that in many points the great trading nations had modified their views to meet those of other countries represented on the Preparatory Committee. The small countries had also made concessions and the result was a logical and well-balanced compromise text.

Mr. Colban had hoped that the Charter would meet with the quasi-unanimous approval of the Conference, but apparently the delegations which had participated in the Geneva discussions had not fulfilled their duty in fully explaining its provisions to the forty new delegations.

The Conference would have to adhere to the essential provisions of the Geneva Charter if there was to be an ITO. To alter certain provisions would of necessity make the Charter unacceptable to many delegations which had worked to achieve the Geneva compromise.

Acceptance on the part of Norway, of the essential points of the Charter might mean that the nature of its economy would be affected. By such concessions, however, an ITO would be created to which the Norwegian

/delegation was prepared

delegation was prepared to leave the further work on international trade and employment. Requests for the consent of the Organization to necessary departures from the strict rule of the Charter would, he was confident, be met with sympathetic understanding. The ITO would be an Organization in which all would participate with friendliness, sympathy and understanding.

Mr. Colban reminded the meeting of the desirability of avoiding formal voting and of the necessity of continued co-operation in mutual confidence.

Mr. WILCOX (United States of America) drew attention to the substantial changes which had been made in the original United States proposals of December 1945, first in London and later in Geneva. He fully understood the difficulties of new delegations in understanding the lengthy and complicated Draft Charter. It was not a perfect document but there were no fundamental obstacles which, given time, the Conference could not overcome.

The difficulties and the divisions of opinion were concentrated in Articles 20 and 13. No provision along the lines of Article 13 had been included in the original United States draft, but at the insistence of a number of delegations it had been inserted during the London discussions. In Geneva, Article 13 had been painstakingly re-drafted. In the opinion of the United States delegation, the principle of Article 13 had to be retained but it might still be possible to remove procedural obscurities.

Similarly, the door could not be left wide open for all countries to establish quantitative restrictions. If that were to be done, there would be no point in creating an ITO and the United States Government would be unable to ratify the Charter. Using several typical countries as illustrations Mr. Wilcox emphasized that a general freedom to employ quantitative restrictions might work out to serious disadvantage of some countries which were proposing that the use of such measures should not require prior approval of the ITO.

Mr. Wilcox was confident that it would be possible to arrive at an agreement which would be generally acceptable to the states present at the Conference. Serious obstacles had been surmounted before and his delegation was prepared to proceed in mutual co-operation to the solution of the various problems.

Mr. CHARLONE (Uruguay) wanted the ITO to be constructed on the longest lasting and firmest possible basis and, therefore, welcomed Mr. Wilcox's conciliatory statement. The controversial issues could be reduced to four or five important points which had to be examined honestly in an effort to find common ground. He felt that the Geneva Charter was a great step forward in recognizing that the world economy is dynamic rather than static.

/He applauded the

He applauded the flexibility of the United States attitude in agreeing to the changes made at Geneva and felt that this desire to compromise reflected favourably on the United States.

The full development of all resources had to be stressed, however, so that the principles of Article 1 of the Charter could be fulfilled, together with the provisions of the San Francisco Charter. He could not accept the view of the Norwegian representative that the Geneva Draft Charter should be ratified in substantially its present form. This Conference had been called to discuss all aspects of the Geneva draft and on such critical questions it was very desirable that a compromise suitable to all countries - both those which had participated in the Geneva Conference and those which had not - should be reached. The United States delegate had rightly said that quantitative restrictions were the most critical point in the Charter. However, it should be noted that quantitative regulations were used by Uruguay, so as to regulate, rather than to restrict, trade. It could not be denied that the question of quantitative restrictions was closely linked with economic development. Only one criterion should apply to such restrictions; if they are injurious, unnecessary or dangerous they should be eliminated, but if they are beneficial and legitimate, then the Charter should recognize them as such.

The position of Uruguay was similar to that of other Latin American countries which were participating in the Conference and which had suffered in the past from the effect of preferential systems. Some of the preferences which most affected Uruguay were permitted by the present text of the Charter, although they were not now being applied. In connection with these preferences, which concern meat, he drew attention to the arrangements which Uruguay had concluded with the United Kingdom in the course of the war, in respect of its entire exportable meat surplus, even to the point of limiting home consumption drastically. This arrangement was done on a credit basis and when a financial agreement was finally signed to render part of this credit convertible into other currencies, the debtor country was unable to put it into effect. Yet, the preferences which are not now being applied, are permitted by the Charter, thus making possible their re-establishment a few years hence. Uruguay did not favour preferences and opposed them on principle.

The Uruguayan delegation felt that the small, underdeveloped countries had some doubt as to whether they could have full confidence concerning the decisions of the Organization whenever they raised questions concerning their development programme. He was, therefore, not in favour of the system of prior approval.

/Public opinion counted

Public opinion counted for a great deal in Uruguay. In spite of past difficulties, Uruguay had been successful in building up its industries and its social services.

It had been suggested that a high level of economic activity and full employment could be achieved through the implementation of the present provisions of the Charter. Customs duties and subsidies, however, would not be sufficient to ensure development and the Charter contained no other legal resort. It should be noted that the management of a limited amount of foreign exchange cannot readily take place by means of the tariff.

As regards subsidies, Uruguay was not one of those fortunate countries which are able to afford subsidies. Further, subsidies were sometimes the means of surmounting a tariff and flooding a country's market. Therefore, quantitative regulations remained the only legitimate means of dealing with the situation.

Mr. CHARLONE asked the United States representative to consider realistically the relations between the United States and the countries of South America. The United States had the greatest purchasing power of any country in the world and, due to its favourable balance of payments, would not be faced with difficulties necessitating the establishment of quantitative restrictions. It might have been supposed that the General Agreement on Tariffs and Trade would have redounded to the benefit of Uruguay. Unfortunately, however, the deficit with the United States of Uruguay and of the other Latin American countries was so large that little advantage would result from this additional tariff treaty.

Being desirous of achieving full employment, a high standard of living and a more solid economic basis, Uruguay must diversify its economy and to this effect it must rely on quantitative regulations. After the post-war transition period, it would be possible gradually to reduce these restrictions, although the balance of payments problem would remain. Quantitative restrictions are not a weapon, as had been stated, but a legitimate means of regulation. Uruguay could not conceive that quantitative restrictions would ever be used by any highly industrialized country with a favourable balance of payments.

Mr. CHARLONE recalled the co-operative policy followed by the United States in connection with the industrialization of Latin America. He was ready to reach every reasonable compromise but wished at the same time that the case of the underdeveloped countries should be recognized and met. The establishment of quantitative regulations was essential to their industrialization which, will, in the long run, result in greater purchases on their part of manufactured goods from abroad.

/The world should not

The world should not be divided further. The principles of the San Francisco Charter should be adhered to fully, in the face of the dramatic realities of today. Delegations had come to Havana to pit reason against reason so that an equitable arrangement might be reached. It was surely not the intention of the Conference that the views of a group of countries making up a major part of world trade should always prevail. It had to be recognized that the small countries also had an important stake in the issues which were being dealt with.

Mr. HOLMES (United Kingdom) felt that the progress already achieved should be a matter for congratulation. They had discussed the Draft Charter as friends, and were now acquainted with the difficulties of those countries which had not been represented at Geneva. He believed that in some respects the Draft Charter was already a better document than it had been when the Geneva Conference ended. He believed that the observations of the representative of the United States would be given full weight in the spirit in which they were made.

Referring to Articles 13 and 20, he gave an indication of what he conceived to be the philosophy behind the Charter. First there was the principle which looked inward, to maintain full and productive employment at home and the parallel of economic development. Second there was the outward-looking principle whereby the free flow of trade between countries was facilitated. Either of these principles taken alone would fail. The task of the Conference was to reach a just agreement on the rules governing the particularly difficult area in which the two principles might not be complementary but appear to be conflicting. The use of quantitative restrictions for economic development was not ruled out in the Charter, but Article 13 specifically contemplated the use of any non-discriminatory measure conflicting with Chapter IV if it was in the interest of a member's economic development.

Regarding "prior approval" he asked what other provision, short of that, could be written into the Article without in effect withdrawing one of the basic principles in favour of the other, or upsetting the balance between them.

The Charter does not allow industrialized countries at will to impose quantitative restrictions in order to achieve high levels of employment - the counterpart of economic development in the case of an under-industrialized country.

As the representative of France had said, it was not as if the Organization were a super-state, but it would be a developing dynamic body in which the highest spirit of co-operation and breadth of experience should be found. In the process of a country's development, mistakes
/could be made,

could be made, and these might directly or indirectly affect all countries and hence must be of concern to the Organization.

Preferential arrangements had caused difficulties in the discussions. Here again the Charter recognized that there might be regional groups of countries between which preferential arrangements would be an advantage. With respect to existing preferential arrangements a solemn undertaking had been entered into at Geneva, in the General Agreement on Tariffs and Trade, to render it impossible to create new preferences or to re-install old ones, and requiring that existing preferences be reduced or abandoned through mutually advantageous negotiations. The Geneva draft of the Charter would put a number of existing preferences beyond the range of re-call, so that not even with the prior approval of the Organization could they be recovered.

The representative of the United Kingdom associated himself with the representative of the United States in believing that the interests of all, if not identical, were very closely allied, and thought they should all rededicate themselves to the completion of their task as quickly as possible.

Mr. BRIGNOLI (Argentina) welcomed the meeting as giving an opportunity to clear up certain of the principal points around which the Draft Charter was built, and to overcome the slight crisis which had arisen. He supported the arguments of the representative of Uruguay. The Draft Charter should be a product of the desires of all countries present at the Conference. It should not tie the hands of anyone, even those taking part in the Preparatory Committee, because the circumstances were different now, and might be changed again when the Charter entered into force.

He did not think the Charter satisfactorily promoted multilateral trade relations, being too strongly influenced by automatic regulations of economic life and by ethical considerations. The rules regarding economic development were not well devised. While the highly industrialized nations were favoured by the Charter, countries which had asked to be granted the necessary means to develop economically had been put into a position of disequality, because of the impediment of having to obtain the prior authorization of the ITO in imposing quantitative restrictions. There was a fundamental mistake in this situation.

Argentina's industrialization had been parallel with the development of its international trade. He cited Argentina's progress during the last ten years, and said this was undeniable evidence in favour of quantitative restrictions.

In speaking of quantitative restrictions, existing provisions on exchange controls must be mentioned. The Argentine amendments were presented because of the lack of balance that existed in the world, principally because of the lack of foreign exchange. The condition was so prevalent that it

/undermined the Charter

undermined the Charter on the subject of multilateral trade relations. The Havana Conference could not solve this problem; it should be solved at an International Monetary Conference of all the countries of the world.

Industrialization of all countries was imperative, but a decentralization of industries was important and should be written into the draft Charter.

The representative of Argentina referred to his amendment concerning functions of the Organization, and thought this should be circumscribed by those mentioned in Article 69. The Organization should not become an executive force or arbiter in conducting the economic policies of nations, but should make recommendations, and encourage countries to carry out the provisions of the Charter. He asked why preferential arrangements should not be given to the ITO to examine.

Referring to Article 16, on Most-Favoured-Nation treatment, he said the Argentine amendment inserted the word "country" instead of "member", as countries which ratified and signed the Charter might have relations with non-members, and these non-members should not be forced to become members because otherwise the Organization restricted their liberty of action. In commercial relations with non-member states it was inevitable that there must be exclusive concessions which would not be made otherwise, or national trade would be restricted. It would be a serious matter for the world to be divided into two groups: members and non-members, and this matter required careful consideration. Argentina wished to make a decided reservation in case those points did not receive a majority vote.

The representative of Argentina said that the fact of concessions being conditioned on a mutually beneficial basis was not against the Charter. The old idea of extending benefits was anachronistic. The underdeveloped countries in particular should be left to make their own concessions, but these must be reciprocal and mutually beneficial. He felt it was not equitable that countries which had had no need to fall back on such preferential arrangements in the past could not do so in the future merely because their need had appeared after ratification of the Charter. He stated the willingness of his country to co-operate and collaborate in solving the problems connected with the Charter of the ITO, and stressed that his views were concrete and neither utopian nor merely theoretical.
