

SUMMARY RECORD OF THE THIRD PLENARY MEETING

Held at the Capitol, Havana, Cuba,  
on Wednesday, 26 November 1947 at 10.30 a.m.

President: Mr. Sergio I. CLARK (Cuba)

1. ADOPTION OF RULES OF PROCEDURE WITH THE EXCEPTION OF RULES 30-33 INCLUSIVE (document E/CONF.2/2/Rev.3 with Addenda 1 and 2)

The PRESIDENT called for comments on the proposals of the delegations of Chile and Norway to insert a new rule 54.

Mr. MULLER (Chile) suggested that the words "It is recommended that" should be inserted at the beginning of the new rule 54 proposed by his delegation.

The Rules of Procedure with the addition of a new rule 54 as amended above were adopted unanimously.

Mr. STINEBOWER (United States of America), although not desirous of proposing an amendment to rule 45, wished it to be recorded that his delegation would always vote in favour of meetings of the plenary and committees being held in public.

Mr. Wyndham WHITE (Executive Secretary) drew attention to an omission in the French text of rule 13 of the rules of procedure (E/CONF.2/2), which should read: "Si un vice-président de la Conférence est empêché d'assister à une séance du Bureau ou obligé de s'absenter pendant une séance du Bureau, il peut ....."

2. APPOINTMENT OF A CREDENTIALS COMMITTEE (document E/CONF.2/9)

On the proposal of the PRESIDENT, Mr. Vilhena Ferreira BRAGA (Brazil) was elected Chairman of the Credentials Committee.

3. ADOPTION OF PROVISIONAL AGENDA (document E/CONF.2/1 and 10)

Approved.

4. ESTABLISHMENT OF PRINCIPAL COMMITTEES (document E/CONF.2/1)

On the proposal of the PRESIDENT, IT WAS DECIDED to establish six main Committees with the following assignment of subjects:

/Committee I

- Committee I - Employment and Economic Activity
- Committee II - Economic Development
- Committee III - Commercial Policy
- Committee IV - Restrictive Business Practices
- Committee V - Inter-Governmental Commodity Agreements
- Committee VI - Organization

5. ELECTION OF CHAIRMEN OF THE PRINCIPAL COMMITTEES

On the proposal of the PRESIDENT, the plenary meeting then resolved itself into consecutive meetings of the six main committees for the purpose of electing the Chairmen of those committees. (For proceedings see documents E/CONF.2/C.1/SR.1, E/CONF.2/C.2/SR.1, E/CONF.2/C.3/SR.1, E/CONF.2/C.4/SR.1, E/CONF.2/C.5/SR.1, E/CONF.2/C.6/SR.1).

6. ELECTION OF VICE-PRESIDENTS OF THE CONFERENCE

The plenary meeting having resumed the PRESIDENT proposed for election as First Vice-President, Mr. Max SUETENS (Belgium), as Second Vice-President, The Hon. C. H. BHABHA (India), and as Vice-Presidents: Mr. Luis D. TINOCO (Costa Rica), Dr. Z. AUGENTHALER (Czechoslovakia), Mr. Anis AZEN (Egypt), Mr. W. NASH (New Zealand) which was approved unanimously. The President stated that a proposal for the election of an additional Vice-President would be made in due course.

7. ELECTION OF REMAINING ELECTED MEMBERS OF THE GENERAL COMMITTEE

The following four additional elected members were proposed: Mr. Wunsz KANG (China), Mr. Andre PHILIP (France), Mr. A. G. BOTTOMLEY (United Kingdom), Mr. William L. CLAYTON (United States of America).

This was unanimously approved.

8. GENERAL DISCUSSION

Mr. DEIDMAN (Australia) recalled that the Australian Government had already participated as a member of the Preparatory Committee in the preparation of the Draft Charter. There was an essential need to create conditions in which it would no longer be necessary to impose barriers. Australia had sought for the inclusion in the Charter of comprehensive obligations relating to the maintenance of employment and to the development of less industrialized countries. The success of ITO would depend largely on the acceptance of those obligations, particularly by the major economic powers of the world.

The Australian Government did not consider that the Draft Charter was a perfect instrument, and would submit some amendments arising out of reservations already made in Geneva. His delegation would also submit suggestions on matters concerning which no specific recommendation had been made by the Preparatory Committee. Australia was anxious to benefit from the experience of all those countries whose views would be heard for the

/first time,

first time, and it was hoped that a Charter would be drawn up which would enable all countries of the world to deal with their own peculiar problems, to raise their own standards of living, and finally to contribute, with the aid of ITO, to an expansion of world trade. (For fuller text see Press release ITO/33).

Mr. LLERAS (Colombia) thought that the Preparatory Committee has made great efforts in reconciling divergent interests, and that the Draft Charter was superior in scope to anything so far achieved in international economic relations. Colombia's approach would be a constructive one and any observations would only be made with a view to clarification of certain measures. His delegation would not insist on points of secondary importance, but would inflexibly defend those questions of vital importance to Colombia which could not be sacrificed.

It would not be sufficient to lay down rules and regulations which could in no way change world economic conditions. His delegation attached great importance to the implementation of Chapter III of the Charter, in particular paragraph 1 of Article 10, the present text of which was inadequate: the promotion of industrial and economic development must be made effective.

His delegation would submit specific amendments to Article 13, which should define the right of nations to safeguard their own agriculture and industry in particular circumstances.

Mr. Lleras went on to say that the special measures adopted to help the industrial nations of Europe should not be denied to those nations which had never known prosperity. General well-being would be more stable and more equitable if the standard of living of certain backward countries was higher. He thought that under-developed countries should have the right to establish or maintain reasonable measures of protection, as an exception and on more flexible lines than as at present provided under the Charter. Any undertaking to reduce Colombian tariffs should take currency depreciation into account. His delegation would submit an amendment to Article 17 based on Section E 3, of the London Report and Articles 1 and 6 of the General Tariff Agreement.

He felt that the procedure laid down in Chapter VI on the protection of primary commodities was complex and difficult. It was essential to clarify Article 18, paragraph 2, in order to extend its provisions to cover price-fixing and quota-fixing. The safeguarding of primary product prices was essential to certain economies, and the conclusion of agreements on such subjects should be made simpler. The Charter was wrong in treating the position of producers and consumers as identical since a rise in prices might mean little to the consuming country but be vital for the producer. The Colombian delegation would submit specific amendments to the relevant clauses of the Charter.

/The Colombian

The Colombian delegation thought that Article 4 should be implemented in order to make it effective. The ITO should be empowered to enforce fair labour standards and enable countries to defend themselves from competition with countries of sub-standard conditions.

As regards voting, Colombia could not accept a system under which undertakings were put into effect by a multiple vote. The precedent of the International Monetary Fund was irrelevant.

In conclusion, he felt that the major economic Powers had an immense responsibility, and it rested on them as to whether the Conference would be a landmark in international co-operation or whether the Charter would merely provide a legal structure to cloak the egotistic policies previously followed.

Mr. BOTTOMLEY (United Kingdom) said that the United Kingdom had participated from the beginning in the endeavour culminating in the present Conference - an endeavour which owed so much to the initiative of the United States of America.

The Conference did well to meet at the present time to found an international trade organization. International trade was necessary to all and had greatly enriched the world. Even where living standards were lowest, they were far higher than they had been fifty or one hundred years ago.

Nearly ninety per cent of the goods produced in the world were consumed in the country of their production, and only ten per cent were traded abroad, but it was that ten per cent which very largely determined whether conditions of boom or of slump, or of prosperous stability, prevailed in the world as a whole.

Strong emphasis had rightly been laid in the Draft Charter on the maintenance by all countries of a high level of employment and demand by means which would help, not hinder, other countries in doing the same.

The employment provisions of the Draft Charter, together with other suitable measures of international co-operation, should contribute much to reduce the risk of any country pursuing a policy which created a major depression. But how could other countries protect themselves should such a depression occur in any one country? High tariff walls and import restrictions could be built round borders, and then, when the volume of international trade was halved or quartered, there might be a fierce struggle by each country to increase its relative share of that greatly reduced trade.

There was a more effective way. That way was to live as a community, to set up a Parliament or a council to make and, where necessary, to revise, a set of laws and to provide the means for interpretation and enforcement of those laws.

/It was primarily

It was primarily to bring into being that concept of security against economic disorder through international agreement and co-operation that the present Conference was being held. Mr. Bottomley was confident that they would succeed in that task for all had the strongest of motives for desiring success. Much experience was gained in London and at Geneva regarding the difficulties which each type of economy feared might arise in reconciling their own legitimate economic interests with the interests of the world as a whole. The success achieved in reaching a solution had been demonstrated to the world by the substantial and comprehensive reductions in tariff barriers contained in the General Agreement on Tariffs and Trade. Countries participating in that Agreement were ready to extend those reductions to other countries.

The world was now experiencing, in its acutest form, the economic aftermath of six years of war.

The United Kingdom was at present suffering severely from the immediate difficulties in international trade and finance. The Government had been compelled to ask people to produce more goods on lower rations and with emptier shops. The next year or two would be hard and unpleasant for the people of the United Kingdom, but there was no doubt whatsoever that they would pull through. They were no less determined to play their part in rebuilding the mechanism of multilateral trade. The prosperity of all great trading nations depended just as much on British stability, expansion and multilateralism in world trade as on their own.

The United Kingdom delegation was glad to be meeting in Havana with friends from so many countries with the aim of ensuring and furthering general prosperity. (For fuller text see Press release ITO/29).

Mr. COPPOLA D'ANNA (Italy) said his country had gladly accepted the invitation to take part in the present Conference.

Imports and exports were an absolute necessity to Italy. Italy could not do without a steady development of her industrial activities, lacking essential raw materials and having to import them from abroad, as well as a certain amount of foodstuffs; an ample flow of exports was necessary to pay for those imports.

The Italian Government could accept the aims set forth in Article I of the Draft Charter without discussion, but better ways and means for securing them might be suggested in the general debate.

Referring to the question of the votes to which each Government would be entitled at the Conference, and to that of the allocation of seats on the Executive Council, Mr. Coppola d'Anna said that his delegation was of the opinion that the differences in the economic importance of the various /countries should be

countries should be taken into consideration. In the case of Italy consideration should be given to her very special economic and demographic position.

In the matter of the treatment to be given to non-member countries, the Preparatory Committee had limited itself to proposing alternative solutions. Two of those would cause serious embarrassment to more than one country desirous of joining in ITO. Having to discriminate against countries not members of ITO would be a serious hindrance to a country wishing to become a member of the new organization.

Mr. Coppola d'Anna felt that the composition of the Committee on Customs Tariffs gave rise to serious apprehensions. Against its decisions the Draft Charter provided no appeal.

The Preparatory Committee, at its first and second sessions, had introduced marked improvements in the original project.

The Italian delegation wished to make its modest contribution to the work of the Conference so that the Charter on Trade and Employment might secure the aims it was pursuing. (For fuller text see Press release ITO/25).

Mr. BETETA (Mexico) pointed out that the Conference on Trade and Employment was meeting at a time when the world tended to divide itself into two large groups with diverse ideologies.

The Conference should find the cause of the sickness, the fears and disorganization which afflicted the world and so ensure that democratic regimes which allowed and encouraged private initiative would continue and improve, giving to the great working majorities of all countries a higher standard of living, greater economic and social security and sufficient stimulus to improve the production of goods and services.

Mr. Beteta emphasized that the purposes of the Charter were accepted by all, but how were those purposes to be harmonized and arranged in their proper order?

It would be necessary to study the nature of international trade barriers and to find the reason which made their establishment necessary. Obstacles to international trade were of two classes; the first was established as an emergency measure in order to obtain equilibrium in the balance of trade. The second, deriving from the necessity for protecting agriculture or industry of some countries against those of others, had for a long time been forms of balancing diverse economic conditions.

An effective way of making restrictions unnecessary, namely a remedy for the maladjustment from which a country was suffering, should be sought. In Mr. Beteta's opinion there was only one remedy - increased production. Through increased production a country could meet its needs without excessive imports, would have exportable surpluses with which to pay for the imports it continued making and thus balance its foreign trade.

/Of the

Of the objectives sought by the Conference, the economic development of all nations was the most important. Experience had shown that the industrialization of a country, by raising the standard of living of its people and widening the possibilities of employment, created a new purchasing power since it converted workers into consumers. A strong desire for industrialization was compatible with and very close to ever-increasing international trade.

The Draft Charter was of a negative quality since it sought rules and methods of abolishing trade restrictions instead of accentuating the positive solutions of the problem, i.e. the economic development of all peoples and the international co-operation required to bring that about.

The negative aspects of the Charter had aroused misgivings among the working classes and industrialists of the less developed nations. They feared that the fundamental purpose of the Charter was to wipe out trade barriers - even if in so doing it brought ruin to existing industries - instead of being that of promoting international trade through the harmonious growth of the economies of all nations.

It was indispensable to realize the differences which existed in the economies of the debtor and of the creditor countries. When negotiations for the lowering of tariffs were discussed, the application of general principles would become very unjust if the discrepancies existing in the economic conditions of countries were not taken into consideration. No country was more obliged, in its own interest, to reduce Customs tariffs, quotas and other restrictions on trade, than were the creditor countries which should return to the world the purchasing power it had lost and without which international trade would be paralyzed.

The Draft Charter proposed a reduction of tariffs which would discourage foreign investment in countries which were in a state of incipient development, and would make difficult the payment of investments already made. Thus, there was a discrepancy between two of the purposes of the Charter - that of facilitating foreign investments and that of reducing Customs tariffs. The problem must not be considered solely from the point of view of imports and exports, but from a wider one - that of international economic co-operation.

In order to make a universal reduction of tariffs equitable, a real equilibrium of tariffs should be sought in such a way that all reductions would start from a comparable base.

Industrialization led to a higher standard of living. It was not sufficient to speak, as was done in the Charter, of an equality of access to markets and of the need of arriving at agreements on primary commodities.

/Thought should be

Thought should be given to similar agreements with respect to manufactured goods which had to be acquired by the producers of raw materials - that was not mentioned in the Draft Charter. If there were no control in the field of manufactured articles an unequal situation would arise by which a country producer of raw materials would find its production watched over, and perhaps controlled by international organizations, while there would exist absolute freedom of prices and conditions in the trade of manufactured articles, which would have to be obtained in an open market where no attempt had been made to keep prices and conditions from fluctuating.

Countries with an incipient industrialization which believed they possessed the necessary conditions for improving it, such as raw materials, domestic markets, trained workers, capacity to absorb modern techniques and the all-powerful desire for a higher standard of living, would not be content with a freezing of the economy of the world which would ensure that each country remained in the state of development it had been able to attain and could not aspire to higher levels.

Mr. Beteta stressed that the economies of the world should be co-ordinated. Every effort should be made to remove excessive restriction brought about by the emergency situation. It should not be forgotten that nothing was possible without a sound economy in each country. Such an ideal could not be attained without international help which would herald the growth of every country and would co-ordinate and harmonize the just aims of all. (For fuller text see Press release ITO/32).

The PRESIDENT announced that the meeting of the Sub-Committee on Voting planned for that afternoon would be postponed until 4.00 p.m. on Thursday. The General Committee would meet at 4.30 p.m. on 26 November.

The meeting rose at 12.30 p.m.

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