

THIRD COMMITTEE: COMMERCIAL POLICY

TEXT OF THE SPEECH MADE BY MR. ROYER (FRANCE) ON 23 DECEMBER 1947
AT THE EIGHTEENTH MEETING OF THE COMMITTEE

Mr. Chairman:

I had decided not to speak because the scope of the discussion was limited, but during the last two days the debate has become so general and the question under consideration is so important that the fate of the Havana Conference may now be at stake; so I should like to define the attitude of the French delegation as regards the problem now being studied. We have heard a most interesting doctrinal discussion on the use of quantitative restrictions. These have been described by some speakers as a diabolical weapon that must be finally condemned, while others, on the contrary, have argued that they were a beneficial measure calculated to increase international trade.

I hope you will forgive me, Mr. Chairman, if I do not take part in this doctrinal discussion. The position of the French delegation has always been the following: We believe that all undue barriers to the freedom of trade should be condemned, whatever the method employed. Moreover, the French delegation, which is always logical, proposed at Geneva that the provisions regarding quantitative restrictions be supplemented by a condemnation of prohibitive tariffs. We thought that this proposal would please the undeveloped countries which had risen against the use of excessive customs tariffs, but unfortunately we had to realize that the attacks against our proposal at Geneva came, above all, from the undeveloped countries. However, we are ready to admit that, as protective measures, quantitative restrictions have special disadvantages. When such measures are used, exporters do not know exactly what markets they will be able to reach or under what conditions they will be able to operate. It has been said during the discussion that quantitative restrictions are an effective measure; we think they are too effective and achieve their aim only too well. To revert to Mr. Wilcox's metaphor, quantitative restrictions are like a revolver that kills at point blank range, and in well-organized countries firearms can only be carried with previous permission. Several speakers have argued that it was very dangerous to try to write into the

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Charter an absolute condemnation of quantitative restrictions; I think they have failed to state the problem properly. In fact, the Charter does not contain any absolute condemnation of quantitative restrictions and all the speakers who have expressed their views, including the representatives of Burma, Guatemala and Mexico, have recognized that if quantitative restrictions could have beneficial effects, they should still be used with circumspection and subject to certain reservations. What is laid down in the Charter? The Charter states that in principle quantitative restrictions are prohibited, but immediately afterwards, in the actual text of Article 20, certain exceptions are provided for. In Article 21, quantitative restrictions are recognized as being justified in the case of a country which has difficulty in maintaining equilibrium in its balance of payments. In Article 13, other exceptions are provided for in the special case of countries planning their economic development or in need of economic reconstruction. I shall quote yet another article which nobody has mentioned so far but which, in my opinion, is important. This is Article 14, which provides for the temporary maintenance of quantitative restrictions now in force in the underdeveloped countries. I leave aside other exceptional departures from provisions which the Organization might allow in certain cases. Thus we have in the Charter a co-ordinated system which, far from condemning quantitative restrictions absolutely and unconditionally, provides regulations for their use. The conditions written into the Charter are those which appear to offer a reasonable guarantee that the use of quantitative restrictions will not unduly injure third parties.

This being so, it would be a mistake to consider the problem from a purely doctrinal standpoint. It would be wiser to approach it in an eminently realistic frame of mind and see exactly how the provisions of the Charter will adapt themselves to reality. It is true that the Charter implies the renunciation of quantitative restrictions as a normal protective measure, and I emphasize the word "normal". This is a serious undertaking. We ourselves have weighed all the provisions and although the French delegation and the French Government have accepted the Geneva Draft, such a decision, made by a democratic Government, is without prejudice to the subsequent parliamentary decision. Nevertheless, we are confident that this text can be adopted, as the French Parliament has ratified the

Blum-Byrnes agreements which already included this principle. The press-writer mistakenly quoted me as saying that the Second and Third Committees should draw up two separate Charters, instead of two separate chapters. I am very much afraid that this slip in the record may prove prophetic; for the delegates of Argentina, Chile and

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Ceylon are, in effect, asking us to draw up two Charters, one containing very definite and heavy obligations for the industrialized countries, and another imposing only a few very light obligations on the undeveloped countries. I must state that if the French Parliament agrees to forego quantitative restrictions as a normal means of protection, it will be vain to imagine that it could accept such an obligation unless it is extended to all other countries. Consequently, we should be faced with insuperable difficulties if provisions were inserted in Article 20 allowing the undeveloped or underdeveloped countries to maintain quantitative restrictions without reservation.

We arrived in London for the first session of the Preparatory Commission with the same belligerent zeal as the countries coming to Havana to examine the Draft Charter for the first time. Like them we strove to try to maintain the principle of quantitative restrictions, to widen the criteria that would govern their use. We tried to obtain the insertion in the Charter, particularly in Article 21, of the idea that account shall be taken of financial principles and criteria and also of economic criteria. At Geneva too, we strove to alter this body of provisions. But we had to recognize that there were certain realities which could not be disregarded; thus we were obliged to agree to the text now before you. It has been said that the conditions imposed for the protection of the balance of payments are less severe than other conditions, but I think this only appears to be the case. Article 21 is bound up with other provisions of another international instrument, and when the two texts are compared it can be seen that the actual conditions are very precisely established. In this connection, I should like to reply to an observation by the representative of Switzerland, who pointed out a certain inconsistency in the Charter. He said: You condemn quantitative restrictions with severity, but you are far more lenient when it comes to exchange restrictions. I should like to draw his attention to Article 24, paragraph 4, which is worded as follows:

"4. Members shall not, by exchange action, frustrate the intent of the provisions of this Section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund."

Under the terms of this Article, there must be the closest possible identification of quantitative restrictions with exchange restrictions. So I do not think that it can be said that exchange restrictions can go further than quantitative restrictions established under Article 21. The two types of measure are quite closely connected.

At Geneva, as I was saying, we found that certain facts had to be taken

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into consideration. These are the facts that have just been summarized by the representative of the United States. In order to have a Charter, we must accept certain minimum obligations, and for some countries with a predominating influence on world trade at any rate, the provisions dealing with quantitative restrictions are definitely a part of this system. Several speakers have said that special arguments might justify the use of quantitative restrictions in the case of undeveloped countries. I do not wish to review these arguments in detail, but I can assure you that in France and in other industrialized countries the same arguments have been put forward to prove that it was essential to maintain quantitative restrictions as a protective measure. Every one of the arguments advanced here could be repeated in the same terms to prove that there is an imperative need for the industrialized countries to maintain quantitative restrictions. So we must not be under any delusions. If the Charter contained a clause allowing a group of countries to use quantitative restrictions unconditionally and without supervision, it would be impossible to preserve such a distinction and the same rights would be justifiably claimed by every country in the world. That is a fact. We have also been told that for countries at an early stage of economic development, the Charter lays down very rigid restrictions and establishes very long and cumbersome procedures. I do not think that is the case. I consider that Article 13, as the representative of Australia observed, should, in the main, satisfy countries wishing to develop their economy. The delegate of Australia, who is particularly well qualified to express an opinion, as Australia is still an underdeveloped country, pointed out that the elimination of the procedure provided for in Article 13 would be a threat to the undeveloped countries. I should be inclined to support his view, but I shall not press the point, as it is for the undeveloped countries themselves to decide what is really in their interest. We have also been told that countries should be able to restrict imports of luxury goods so as to avoid a waste of their purchasing power that would prevent the impoverished classes from obtaining the products they need. The pre-war experience of the European countries, that adopted the system of quantitative restrictions was not encouraging in this respect. If capital is available in a country and there is a demand for certain luxury goods, quantitative restrictions encourage the establishment of domestic industries producing these goods and the desired result cannot be obtained. The young countries seem to fear that the Organization will deny them justified protective measures. As the representative of Australia has pointed out, Article 13, paragraph 4 (b), states as clearly as could be desired, that the Organization

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must authorize the adoption of quantitative restrictions whenever they are not detrimental to international trade and are justified by the economic conditions of the country concerned. I believe that the representatives of the new countries have asked for an assurance that they may use quantitative restrictions when these are justified. I sincerely believe that this is exactly what is stated in Article 13. Lastly, Article 14 makes provision for the possible temporary maintenance of existing measures. I should like to ask the representatives of Chile, Syria and the Lebanon, who, when the Geneva Tariff Agreement was concluded submitted a list of quantitative restrictions which they wished to maintain, whether they have been obliged to eliminate any quantitative restriction the maintenance of which was essential to their economy? The example of what happened at Geneva shows how the Organization will consider such requests and is a decisive proof that its decisions are not likely to endanger the economy of the underdeveloped countries.

The Charter established a number of more or less long-term objectives by which the expansion of international trade is to be guided. These are specific provisions making it possible to ensure that the economies of the various countries are gradually and progressively adapted to these objectives and to attain the ideals of the Charter. Apart from a few exceptional cases, in which the transition has not been handled with sufficient flexibility - and we reserve the right to make proposals later, taking such special difficulties into account - it can be said that the Charter has wisely provided that its principles shall only be applied gradually. The entry into force of the Charter will not oblige the countries represented here to disrupt their economic policies overnight. They will have the time they need to attain the objectives of the Charter.

In our opinion, this realistic solution is the best. While it is wise to lay down a body of rules sufficiently flexible to be adapted to the various types of economy, the Charter must still include certain obligations. At the end of the last war an attempt was made to reorganize world economy without asking States to undertake any prior obligations regarding the conduct of their trade policies. Many conferences were held; many conventions were drafted; but the effort was entirely fruitless, for the States insisted on retaining their full sovereignty in economic matters. If there is to be a Charter, and if the Charter is to yield results, some transference of sovereignty must be accepted. It is too often apt to be forgotten that this transference of sovereignty applied to all. When one speaks of the transference of sovereignty it does not mean only the transference of one's own sovereignty but also that of other countries.

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That is the first fact that must be recognized. The advantages and disadvantages of this procedure must be weighed in the balance. If the disadvantages of being bound oneself are not outweighed by the advantages of other countries being bound at the same time, there are economic forces of varying power in the world and the Charter binds them all, both great and small. We must choose between the perpetuation of the present chaos and the undertaking of certain commitments with a view to organizing the world on sounder and more normal lines.

The French delegation is ready to make this choice. We do not recoil from a transference of sovereignty, provided that the power of arbitration is placed in the hands of a competent and impartial international organization. Nor is this Organization a super-State. If you reread the provisions of the Charter carefully, you will see that it is basically very weak and that the powers provided for are fairly restricted. The Organization may be consulted, it may ask for information, it may even make recommendations, but it can truthfully be said that for many years in any case the Organization will mainly exercise moral pressure to assist countries, to advise them and to set them on the right road.

It seems that the time to make our choice has come. We must each examine our conscience, as was done by the countries represented at Geneva. Let each decide whether he considers it to his country's advantage to accept a Charter containing a minimum of obligations or whether, on the contrary, he prefers to retain freedom, with all the consequences that this decision may entail. That is the decision to be taken. We believe that it is in our interest to have a Charter; we believe that a Charter containing no specific obligations would not, if I may say so, be of any interest at all. We consider that if the Charter did not clearly show the course that the countries decided to follow it would be a document devoid of any value and that it would be a regrettable waste of public money to establish an international institution on such flimsy foundations. Finally, we believe that a Trade Charter must be more than an act of faith; we see it as a reasoned and reasonable document, fitting into a system of measures through which we shall be able, gradually and with all due caution, to lay the foundations of a world that is better from both the economic and the political point of view.
