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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT.

VERBATIM REPORT.

FOURTEENTH MEETING IN EXECUTIVE SESSION  
HELD ON MONDAY, 9 JUNE 1947, AT 2.30 P.M. IN THE  
PALAIS DES NATIONS, GENEVA.

The Hon. L.D. WILGESS (Chairman) (Canada)

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CHAIRMAN: The Meeting is open.

The first part of today's Session is a meeting of the Preparatory Committee in Executive Session to consider Document E/PC/T/86, distributed to Delegations on June 3.

As Chairman of the Tariff Negotiations Working Party, I think I might be permitted to explain the purpose of this paper. When we reached the date of May 31, which was the date we had set for the initial opening of most of the negotiations, the Tariff Negotiations Working Party felt that it was necessary to devise some procedure whereby they could be kept informed of the progress of the tariff negotiations. The procedure which has been recommended is set forth in this paper, No. 86.

The Tariff Negotiations Working Party were very desirous of saving Delegations from the bother of filling out too detailed forms and therefore we have confined the questionnaire which is to be returned by Delegations to a simple appraisalment by the Delegations of the stage reached in their negotiations with each of the countries with whom they are engaged. These questionnaires are to be returned every fortnight and they will, as they are received, enable the Tariff Negotiations Working Party to have a clear indication of the progress being made in respect of the various tariff negotiations.

I therefore hope that the Preparatory Committee will be able to accept the recommendation submitted in this paper.

CHAIRMAN: Are there any observations? The delegate of Norway.

Mr. ERIK COLBAN (Norway): I entirely agree with the recommendation of the Working Party. I have only one slight observation to make. Is it wise to ask us to report on "satisfactory progress"? Is that not rather difficult? We are two parties to each negotiation and I would hesitate to say that anything is satisfactory unless my partner agrees. Is it not enough to say either "preliminary stages" or "considerable progress" or "nearing completion?" I think that really covers everything. Apart from that I am entirely in agreement with your proposal.

CHAIRMAN: If I may be permitted to reply to the Norwegian delegate: I quite agree with the relevancy of the remarks he has just made. The Tariff Negotiations Working Party were endeavouring to find words which would describe four possible stages in the negotiations, so that delegations who had got beyond the preliminary stages but had not yet made considerable progress should have a column in which they could indicate the state of their particular negotiations. I think it is desirable to keep, if possible, four different stages in order that we may be kept adequately informed of the progress of each negotiation. But perhaps the point just made by the Norwegian delegate would be met if we deleted the word "satisfactory" and then it would just read "Negotiations making progress." Would that meet your point?

MR. ERIK COLBAN (Norway): Certainly.

CHAIRMAN: Well, if that is agreed, we will delete the word "satisfactory" from the second stage. Are there any other observations? If not I will take it that the procedure outlined in document T/86 is approved.

While we are still meeting as the Preparatory Committee in Executive Session I would like to call upon M. Forthomme of the

Belgian delegation who has a statement to make which is of interest to the full conference.

M. PIERRE FORTHOMME (Belgium): I beg to thank the Chairman of the Preparatory Commission in Executive Session for having given me permission to read the statement, which effects general policy with regard to the Charter. I will read the statement in English:

The original draft of the Charter, from which the work of the Preparatory Commission has proceeded, laid down the purposes as follows:

1. To promote the solution of problems in the field of international commercial policies and relations through consultation and collaboration among Members.
2. To enable Members to avoid recourse to measures destructive of world commerce by providing, on a reciprocal and mutually advantageous basis, expanding opportunities for their trade and economic development.
3. To encourage and assist the industrial and general economic development of Member countries, particularly of those still in the early stages of industrial development.
4. In general, to promote national and international action for the expansion of the production, exchange and consumption of goods, for the reduction of tariffs and other trade barriers, and for the elimination of all forms of discriminatory treatment in international commerce; thus contributing to an expanding world economy, to the establishment and maintenance in all countries of high levels of employment and real income, and to the creation of economic relations conducive to the maintenance of world peace.

These purposes are in conformity with the views of the Belgium-Luxemburg Economic Union, which in particular agreed with the order adopted in setting out the aims and the relationships of 'cause to

effect it established. For these reasons the Economic Union accepted membership of the Preparatory Commission, on the understanding that the debates and general activities of the Commission would serve to perfect the Charter as an instrument of economic liberation.

It was to be expected that certain countries, or groups of countries, would insist that the first draft had not taken into proper account their own particular economic problems. As a delegate international body set up by the Economic and Social Council, it was precisely the task of the Preparatory Commission to collect accurate information on the various particular problems of each party, to determine then by careful study exactly what interests were involved, their importance and vulnerability, so as to gauge what measure of protection it would be wise to afford in each case. After examination of the conflicting views expressed, it would have been possible for the Commission to express its considered opinion in the texts it would propose for the various articles of the Charter and in the commentaries thereto. It would have appeared clearly which interests would be best served by renouncing special protection and relying on the beneficial effect of the operation of the Charter; which interests would require special treatment through limited exceptions to the general principles; and which interests should be sacrificed for the common good, even when they were in themselves perfectly legitimate.

As time went by in preparation for the meetings and lengthy debates in the sessions, attention was progressively engrossed by innumerable points of detail, and the general picture seemed to be forgotten. Little by little the character of the Charter was altered, until those who had only seen it in its original form would find it hard to recognise.

Day by day the trend is towards the confirmation of each and every privilege, simply because they exist, and towards condoning every form of restriction, because they have become a habit. There is a general refusal to face the fact that the passing protection gained by these practices will have to be paid for many times over by the disastrous consequences they entail, including the loss of the temporary advantages which appeared so precious.

These developments are a cause of great anxiety for the Belgium-Luxemburg Economic Union. In the light of them it may have to revise its position.

The Charter as it is now developing is in danger of establishing a status of privilege to be given:

1. To state-trading countries
2. To countries giving and receiving preferences.
3. To under-developed countries, which may apply quantitative restrictions for the furtherance of their employment, development and social policies.
4. To countries which have suffered from the war and which may therefore apply quantitative restrictions for the purpose of reconstruction.
5. In cases (5) and (4) discrimination is allowed according to the criterion of essentiality, which is in fact purely subjective.

6. Exchange control, which was to be an exception under the original Charter, has become an accepted rule.

7. Producers of primary commodities will be protected by inter-governmental agreements.

How does the Belgium-Luxemburg Economic Union stand with regard to these provisions?

1. It does not indulge in state-trading.
2. It receives no preferences.
3. It is not an under-developed region.
4. It aims at effecting reconstruction by a policy of steadily removing restrictions.
5. It does not apply the criterion of essentiality to its imports.
6. It intends to lift exchange control as soon as possible.
7. It is not an exporter of primary commodities and produces none of them in sufficient quantity to cover its consumption.

That highly industrialised countries are better able to face every type of economic fluctuation seems to be an accepted opinion. Yet this is true only in certain instances. Perhaps a large industrial country which has also plentiful natural resources and reserves of wealth could withstand any kind of crisis better than others.

A small territorial unit, however, - the Belgium-Luxemburg Economic Union, for instance, - which specialises in the processing industries, can only survive under certain given conditions. It depends, for its life, on imports of raw materials and foodstuffs which do not exist within its frontiers. Exports are more vital to it than to other countries, for they provide the means of payment for imports. To promote sales abroad it must rely on two factors. One is the technique and quality of its products the

other is that it offers primary producers a market which is not proportionate to the number of its consumers but to the level of their economic activity.

The freer world trade is, the more intensely these factors operate. Quality and price have their full attraction for buyers, while on the other hand every country benefits directly or indirectly, through the play of multilateral trade, from the market offered by the industrial country. The particular interest of the Economic Union thus coincides with the general interest.

For this reason, the Belgium-Luxemburg Economic Union has always been cautious in matters of protection. Together with the Netherlands, it has again shown moderation in the new common tariff which is the basis of their present negotiations. Still in agreement with the Netherlands, the Economic Union has declared its firm intention of foregoing quantitative restrictions, which were weapons they had to assure during the 1930 - 1939 economic warfare Belgium would only resort to the exceptions allowed by the Charter in the last extremity, when its balance-of-payments would be in grave danger. This would mean that by then the resources saved from the holocaust of war would have melted away and that the country was on the brink of disaster.

Such an event is by no means improbable. The development of the Charter is such that it may soon threaten the Belgium-Luxemburg Economic Union in precisely that way, for it would find itself bereft of means of action in front of countries fortified behind exceptions and privileges it could not claim for itself.

A moderate tariff would, most likely, not help to obtain relief from high duties abroad. In order that it should serve, the principle embodied in Article 24 (1) c) would have to be recognised

as implying that when there is free entry or a low rate the value of the concession lies in the market which is kept open by the binding and the absence of quantitative restrictions. The mistaken belief should not be indulged in that because the imports accorded a favourable treatment are highly necessary to the importing country there is no chance of a change occurring. However much one needs a thing one must do without it if one cannot pay for it, and seek a substitute one can afford. It is therefore in the common interest that it be recognised that there should be compensatory facilities for the exports which serve to finance the imports favoured by an open-door tariff.

Should this not be generally admitted, there would be an increase of the initial handicap upon those whose vital exports of manufactures must scale the high tariff walls everywhere, while raw material producers either enjoy free entry or a preference, or at worst have to pay very low duties.

The primary producers' advantage will be further increased by the protection intergovernmental commodity agreements will provide. In contrast to this, it is proposed to preclude any possibility of such agreements applying to manufactured products, not because it is envisaged that, as there are few producers involved, rational organization could be brought about by private agreements which could be supervised by the Organization, but because it is supposed that the problems which affect primary products can never arise in connection with manufactured goods.

To complete the dismal picture, Belgium's consuming power would lose its bargaining value. First of all because in the absence of quantitative restrictions no discrimination could be effected in order to divert the benefit of it to countries which offer markets for Belgian goods. Moreover, the rapid economic decline of the nation would radically curtail the buying power of the masses which would stagnate in unemployment and poverty.

To accept the Charter would be the death-sentence of the Belgian-Luxemburg Economic Union, unless the instrument conforms to the following conditions:

1. The original spirit of freedom should pervade the whole document.

2. The striving towards ever freer trade should be strongly stressed.

3. The sacrifices of each Member should be real and proportionate to their economic power and to the special privileges they enjoy.

4. A measure of equality should be established in the means of action and defence available to each Member.

5. General prosperity should be sought by orderly and balanced development of all parts of the world with equal profit to all.

If the Charter is not to be an instrument for the fulfilment of these purposes, it would be preferable to bear in mind the lessons of the recent past and to remember that a lone free-trader cannot survive in a world where others resort to high protection and indulge in an economic armaments race. When this happens one must look to one's weapons and prepare to face depressions and crises far worse than anything that can be imagined now.

The warlike techniques of 1940-45 were infinitely more deadly than those of 1914-18. In the same way the techniques of economic warfare in the future will make those of 1930-39 appear childish. The effects of the new measures will be terribly destructive and the damage to world economy will be correspondingly more widespread and lasting.

CHAIRMAN: I thank M. Forthomme for the very important statement which he has delivered, not only on behalf of the Belgian Delegation, but also on behalf of the Belgium, Netherlands and Luxembourg Economic Union. I am sure that all members of this Committee have listened with the greatest interest to the remarks of the Belgian Delegate. I have arranged to have this statement published as a separate Conference document, in addition to appearing in the verbatim record of this meeting.

I would now like to ask the members of the Committee whether they would like to comment on this statement or whether they prefer to wait until they have had further time to study the statement.

The Delegate of the Netherlands.

Dr. SPEEKENBRINK (Netherlands): Mr. Chairman, you have mentioned the Belgium, Netherlands and Luxembourg Economic Union, and said that this statement was on behalf of that Union, but this is not the case as M. Forthomme has spoken of the Belgium-Luxembourg Union. However, I would like to say the following: the position of Belgium, Luxembourg and Holland is different in several respects at this moment owing to the war. We have important differences in our economic position and consequently also, in certain cases, in our points of view. We have to a certain extent state trading in agricultural produce. We have certain undeveloped countries in the Netherlands East Indies, Surinam and Curacao, so that at the moment we are in serious balance of payments difficulties; therefore we are obliged to differ somewhat from the comments of our Belgian friends at the moment, owing to the difference in our present economic position.

Notwithstanding that, we fully share the feeling of our Belgian colleague on certain matters. I should like, if I may, to quote one example. It is now being studied by a special sub-Committee,

but it is the opinion that the conservation of low duties should not be comparable with the reduction of high duties. We consider that point of view to be in violent contradiction of the principle adopted in London, and I have to state here, not being here last week, that we cannot accept that principle. That is only one example, but I mention it specially here to support my Belgian colleague in the expression of his feeling of unhappiness about the discussions.

M. ANGEL FAIVOVICH (Chile) (Interpretation): Mr. Chairman, after having heard the very interesting and important statement made by our Belgian colleague, I think that it would be worth circulating copies of this statement to the various delegations, and also to decide that the Executive Committee should, in the near future, call a special meeting to hear concrete opinions on various points raised in this statement. I have also taken note of the statement just made by our Netherlands colleague which shows certain differences of view from Belgium and Luxembourg, and this perfect, or almost perfect, customs union gives us an example of the difficulties experienced by the conference to solve particular interests within the framework of the principles that were laid down in London, drafted in New York and that are being examined again here. Without giving an opinion on the remarks made by our Belgian colleague, because this deserves a thorough examination, I think I can state that what was laid down in London and New York cannot be considered as being final. There are a number of remarks which can be made by this conference and a number of matters which can be usefully studied by it, for these reasons. So I think it would be necessary to open a discussion on the general position of the conference with regard to the main principles laid down in the trade Charter.

Mr. L.D. MARTINS (Brazil) (Interpretation): Mr. Chairman, after the proposal made by the delegate of Chile that we should consider with care and devote all the necessary time to the consideration of the brilliant and luminous statement of the representative of Belgium, I should like to say that, while we obviously cannot proceed to a full discussion of this statement now, there are certain points to which I should like to draw the attention of the Committee immediately, and this in particular with regard to the relation between underdeveloped and overdeveloped countries and the expressions which this problem should find in the Charter.

I think that whilst the principles expressed in the Belgian statement are acceptable in general to the Brazilian Delegation, at the same time the Brazilian Delegation considers that one of the purposes of the Charter should be to try to harmonise the relations between over-developed and under-developed countries. The Charter must reflect existing differences, differences in the level of industry and consequently differences in the needs of the various countries.

With regard to the actual state of the work of the Charter, the Brazilian Delegation has a different impression from that expressed by the Belgian Delegate. The Brazilian Delegation considers that, in comparison with the First Draft as submitted in New York, substantial steps have been taken in the right direction.

CHAIRMAN: The Delegate of Chile has made a definite proposal that the statement delivered by the Belgian Delegate should be considered at a special meeting of the Preparatory Committee, meeting in Executive Session.

Before putting this proposal to the Committee, I should like to know if any other Members of the Committee would like to make any comments at this time, or whether they wish to withhold their comments until the special meeting, if that is approved.

The Delegate of Czechoslovakia.

H.E. Dr. Z. AUGENTHALER (Czechoslovakia): Mr. Chairman, Gentlemen, I agree entirely with you and with the other speakers that the Belgian statement needs careful study and that we need a special meeting to discuss it. I myself have the feeling that this declaration should be considered at the earliest stage, maybe at the opening of the debate of this Second Session, but,

anyhow, we might usefully discuss it and it is for this reason I would move the closure of this debate for today.

I would like to make one small remark: in the Belgian statement it was said that the State-trading countries have some special advantages accorded to them in the Charter; they were placed, if I remember rightly, as first beneficiaries of the Charter. I am very glad to know that and when the general discussion comes I would ask my Belgian colleague just to let us know what kind of special advantages the State-trading countries have. If it is like that, I can see that at the preliminary meeting there will be a terrible rush of the State-trading countries to accede to the Charter.

CHAIRMAN: The Delegate of Czechoslovakia has moved the closure of this debate. Is that agreed?

(Agreed)

I now put to the Meeting the proposal of the Delegate of Chile, that a special meeting of the Preparatory Committee in Executive Session be held to consider the statement of the Belgian Delegate. Is that approved?

(Agreed)

The date of that special meeting will be notified to the Delegations by the Secretariat.

That concludes the business of the Preparatory Committee in Executive Session. We will now transform ourselves into Commission B, to consider Chapter VII of the Charter.

The Meeting closed at 3:35 p.m.