

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

SUMMARY RECORD

Seventeenth Meeting in Executive Session

Held on Wednesday, 18th June 1947, at 2.30 p.m.
in the Palais des Nations, Geneva.

Chairman: Mr. Max SUTENS (Belgium)

STATEMENT ON AMENDMENTS TO CHARTER BY DELEGATION FOR BELGIUM
AND LUXEMBURG.

The CHAIRMAN recalled the statement by the Delegate for Belgium at the meeting of the Executive Committee on 9 June, which had since been issued as document E/PC/T/90 of 10 June; at that meeting it had been decided to hold a special meeting of the Executive Committee to give delegates an opportunity of expressing their views. The Chairman called on the Delegate for the Netherlands as the first speaker.

Mr. GOTZEN (Netherlands) said that although his Delegation could not agree with all the comments in the Belgian statement, they did in a general way share the grave feeling of uneasiness with regard to the tendency to weaken the original principles of the Charter; this uneasiness had been caused by various amendments proposed with the intention of confirming certain privileges and even creating new privileges; in this connection he referred to the amendments proposed on Articles 14, 15 and 24. Mr. Gotzen mentioned particularly the Australian comment on paragraph 1(c) of Article 24 which appeared to suggest that this paragraph was thought to be superfluous; on the contrary,

the Netherlands Delegation regarded this paragraph as one of the pillars of the Charter, for it was of primary importance that the binding of low tariffs or of tariff free treatment should be recognised as an important concession. Further, the Netherlands Delegation had entered the discussions of the Second Session on the understanding that their acceptance of the clauses on quantitative restrictions would be counter-balanced by substantial reductions in tariffs and margins of preference, but if the results of the tariff negotiations were not satisfactory in accordance with this multilateral principle his Delegation would have to reconsider their position.

Dr. COOMBS (Australia) said that the statement by the Belgian Delegation appeared to be based upon a partial reading of the Charter. He referred to the statement by the Delegate for the Netherlands relating to paragraph 1(c) of Article 24 and said that it was not practicable to lay down in advance any rule on the value to be attached to the binding of a low duty, as this could only be appraised in relation to the items under discussion, but he would agree that the binding of a low duty on articles previously subject to import quotas should carry a high negotiating value and he would accept this view both in principle and in practice. Secondly, Dr. Coombs referred to problems of primary producers and to the view, apparently held in some quarters, that the pursuit of stability of prices is in the interests of the producers only; on the contrary, he believed that stability of price of staple commodities is also in the interests of importing countries, and for this reason he had urged equal representation of importing and exporting countries on the bodies to be set up under Chapter VII.

Dr. Coombs expressed the opinion that it was a mistake to concentrate attention either on the general rules in the Charter or on the exceptions to those rules; it was necessary to look at both and to see why it had been found desirable to provide exceptions to the rules. There appeared to be two reasons for this; firstly, there were differing political philosophies and means must be found for them to work together, and secondly, it could not be assumed that the world would not again be faced by widespread economic difficulties which would render impracticable the strict observance of any general rules. He said the exceptions would not necessarily be applied, but they had been provided in the Charter to ensure against the possibility of world economic crises.

Dr. Coombs said he was in sympathy with the statement of principles embodied in the Belgian statement, and he referred specifically to the 5 points enumerated on the 5th page of that statement; he said "the spirit of freedom" is a part of our philosophy, but, in addition to freedom from restraint, positive opportunity must be provided, and it was for this reason that he had supported the measures embodied in Chapters III, IV and VII; he could agree with the desire to strive towards "freer trade" if this could be confidently expected to lead to a fuller use of the world's resources, but he thought it desirable first of all to create the conditions in which freer trade would lead to that result; "equality in the means of action and defence" should embrace the idea of measures appropriate to needs and to the dangers to which countries might be exposed; referring to the 5th point regarding "orderly and balanced development" he said there were obviously great differences in the interests of many countries and it was possible that the growth of industry in one might be detrimental to the established industries of another.

Finally, Dr. Coombs said that the Charter could be either a banner of hope or a set of chains. If it were given a sectional interpretation and regarded as a legal document from which particular clauses might be extracted according to the circumstances of the moment there would be a danger of being bound by its chains. He said that recognition should be given in the Charter to an economy of the Belgian variety, but other economies must also be recognised and he was not without hope that the Charter in its present form was capable of doing this.

Mr. WILGRESS (Canada) said that his Delegation shared the apprehensions of the Belgian Delegation; they had always realised that the Charter would have to be a compromise between differing forms of economic organisation and between the circumstances of the more highly developed and less developed countries; they thought that in London a workable compromise had been achieved and that during the Second Session the Charter would be perfected without radical alterations of substance. In this respect, however their expectations were not being fulfilled.

Mr. Wilgress mentioned particularly the position of agricultural exports which would benefit little from the Charter because of the many escape clauses which provide for the continuation of extreme protectionism and draw unjustifiable and invidious distinction between agricultural and other products; the removal of quantitative restrictions necessarily included some appropriate exceptions, but many additional exceptions were now proposed and if these were accepted only the barest shred of the general rule would remain. Also, suitable provision must be made for state trading but some of the amendments were of such a nature that if they were adopted state trading countries would

be placed in an advantageous position. The provisions dealing with state subsidies appeared to be more noteworthy for the escape clauses which they contained than for the principles they enunciated and could have relatively little effect. The Canadian Delegation were prepared to envisage exceptions to the general rules which might help in the rapid development of the less developed economies, but unfortunately great emphasis had been placed upon purely protective devices for the promotion of this development and this was entirely unrealistic even from the point of view of the under-developed countries.

Mr. Wilgress said that Canada had always been prepared to consider the reduction or elimination of preferences as a part of a reciprocal and mutual advantageous multilateral agreement, but his Delegation were now concerned about the relatively slow progress being made in most of the tariff negotiations from which they expected to derive general benefits, and he appealed for a greater determination to complete the negotiations by the target date. Further, he referred to the tendency to postpone awkward decisions by leaving problems to be settled by the Organization; the draft Charter was now filled with references to difficult and complex matters, following upon the multiplication of exceptions from general principles, and whilst a certain flexibility must be provided the result might be that such a burden would be placed upon the Organization that the whole scheme would be unworkable.

Mr. AUGENTHALER (Czechoslovakia) said that he could understand very well what it meant to be a small territorial unit like Belgium, specialising in the processing industries

and dependent upon imports of raw materials and foodstuffs. The difference between their ideas and those of the Belgian Delegation was due to the different points of view from which the problems were considered; he thought the reasons for the numerous escape clauses lay in the memories of pre-war depression and the absence of the optimism of 1918. In his view the trade restrictions imposed before the war were not the cause but rather a consequence of the contraction of international trade and only in a world where employment was stable could freer trade develop to the extent envisaged in the Charter.

Mr. Augenthaler suggested that the world could not achieve economic and social stability without control of economic activities. It could not be assumed in respect of state trading or private enterprise activities that the government would pursue a policy of either free trade or protection; neither a controlled economy nor state trading was in fact an obstacle to expansion of world-trade - on the contrary, the means of economic control could be more favourable to expansion of world trade than the means used by countries which did not actively interfere with economic development. At the present time there were many problems obscuring the issues and if the formulas of the past were applied to future forms of economic life great damage might be done. Therefore, it was best to wait and work out detailed rules to apply to individual cases as they come before the Organization.

Mr. WU (China) said that the statement of the Belgian Delegation maintained that the discussions of the Charter tended to establish a status of privilege for the under developed

and war devastated countries, but whilst China was relatively under developed and had been devastated by war she did not appear to receive any special privileges and was called upon to make a great sacrifice in granting unconditional most favoured nation treatment and national treatment. China realised however, that international agreement must be based on the spirit of compromise and mutual concessions and sacrifices.

Mr. WEBB (New Zealand) expressed substantial agreement with the remarks of the Australian and Czechoslovak Delegates. He referred to the last paragraph of the Belgian statement and said that the "weapons" there referred to were in fact "controls", the results of which depended upon intentions. He said no good could come from outlawing the use of economic controls or from endeavouring to establish liberal trade for all countries and all products; while liberal trade had manifestly conferred many benefits there were many economic problems which it could not solve. Between the two wars the fluctuations in the prices of primary products were greater than in the case of manufactured goods, with the result that today there was hardly a country dependent upon primary commodities which did not engage in some degree of state marketing. Similarly, he said, liberal trade has failed to solve the problems of the under-developed countries and development had been lamentably slow where the liberal policy had been applied. Mr. Webb said that in the Charter there was a conflict of opinions; there were provisions which favoured or opposed the restoration of liberal trade. If an attempt were made to force the liberal trade policy on all countries the Organization would not come into being, or if it were established it would fail.

Mr. WILCOX (United States) said that it was well to pause for stock-taking after two months of discussion. He was very concerned with the progress of the Session. In his view the tariff negotiations and the Charter talks were closely bound together, but the negotiations had proceeded slowly; 93 negotiations had been initiated but only 5 had proceeded beyond 10 meetings, and each of these involved the United States Delegation; in 8 others there had been five meetings or more and the United States was involved in 5 of these. He could not believe that much progress was being made by the pairs of countries that had not held 5 meetings. He was very concerned with this situation, and urged the Delegations to speed up their negotiations in order that the target date might be kept.

Mr. Wilcox said that some Delegations had declared their inability to accept Chapter V unless Chapters III, IV and VII were incorporated in the Charter; the United States Delegation had accepted that decision as a basis for the tariff negotiations, but the compromise worked both ways and the balance must be preserved. Some amendments had been proposed which would destroy the whole edifice and the United States Delegation must stand against them. He agreed with the New Zealand Delegate that the London text was not sacrosanct and compromises must be accepted, but it was necessary to restore the balance of interests which had been achieved in London. He said that his Delegation recognised the existence of free and controlled economies and also the different needs of developed and under-developed countries, but whereas the New Zealand Delegate said that the balance

must not be tipped towards liberal trade he would urge that it must not be tipped in the other direction. He agreed with the views of the Belgian, Netherlands and Canadian Delegates that some of the recent developments lead in the wrong direction, but there was no cause for alarm - the Session would succeed because all Delegates knew that no-one could afford to allow it to fail.

Mr. HELMORE (United Kingdom) said it was essential for the world economy for a long time to come that the Charter should take account of the trading position of the United Kingdom. If this were not done the world would no doubt adjust itself eventually to the changes that would be rendered inevitable but the process would be an uncomfortable one. He recalled that the trade discussions had begun with the Atlantic Charter and the Lend Lease Agreement, and he quoted the following statement from the original proposals published jointly in December 1945 by the United States and United Kingdom governments.

"Equally, the Government of the United Kingdom is in full agreement on all important points in these proposals and accepts them as a basis for international discussion, and it will, in common with the United States Government, use its best endeavours to bring such discussions to a successful conclusion, in the light of the views expressed by other countries".

Mr. Helmore agreed that the London draft was not sacrosanct, but at the London meeting they had been within sight of a successful conclusion; that success possibly had encouraged delegates now to go too far in proposing changes to

suit their particular needs. It would be necessary to sign the general agreement on tariffs and trade fairly soon and while no-one would be completely satisfied the choice would be between success or failure, and if it was failure, as he said previously, everyone would suffer.

Finally, Mr. Helmore expressed the view that the statement by the Belgian Delegation took an unduly gloomy view of the present state of the Charter discussions.

Mr. BARADUC (France) said that France as well as the United Kingdom, Belgium and the Netherlands was vitally interested in international trade and had equally taken part in the development of the policy expressed in Article VII of the Lend Lease Agreement. While in agreement with the Belgian view the objectives must be approached gradually and he had full confidence in the ability of the Committee to create a Charter which would be acceptable to all.

Mr. FORTHOMME (Belgium) invited by the Chairman to reply to the discussion, said it was at times of supposed safety that nations began to disagree. The real danger threatening the work of the Committee was a cleavage of opinion and if the Committee were to succeed there would have to be united effort.

The CHAIRMAN in concluding the meeting said it had been clearly recognised that national economies were not uniform and that vast areas were undeveloped. Therefore a simple Charter with provision for flexibility was required and he urged the Delegations to strive for the completion of the Charter which everyone recognised as necessary.