

UNITED NATIONS

NATIONS UNIES

ECONOMIC  
AND  
SOCIAL COUNCIL

CONSEIL  
ECONOMIQUE  
ET SOCIAL

RESTRICTED

E/PC/T/A/PV/23  
2 July 1947

---

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

VERBATIM REPORT

TWENTY-THIRD MEETING OF COMMISSION A  
HELD ON WEDNESDAY, 2 JULY 1947 at 11.30 A.M. IN THE  
PALAIS DES NATIONS, GENEVA

M. Erik COLBAN (Chairman) (Norway)

Delegates wishing to make corrections in their speeches should  
address their communications to the Documents Clearance Office,  
Room 220 (Tel. 2247)

CHAIRMAN: I apologise for being late. I come from the Chairmen's Committee, and we have had a complicated matter to deal with.

Mr. Suetens also apologises for not being able to preside to-day, as he is leaving for Brussels in an hour.

Now we continue the discussion of yesterday. The first speaker is the Delegate of Chile.

Mr. F. GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, in the discussions that we are having here it was absolutely unavoidable that the question of underdeveloped countries became the centre of the debates. This has happened before, and in the course of the Geneva Conference every time that there was a tension we always found, in the centre, the problem of underdeveloped countries. Unfortunately, I believe that when the first and second texts of the Charter were drafted, maybe insufficient consideration was given to the fact that, if one wants to set down general rules in order to organize international trade, it is necessary in the first place to consider the real position of each of the countries called on to contribute to this Organization of International Trade.

After the debate, which was caused by the speech and by the remarks of my colleague from Belgium a few days ago, we find with brutal clarity that this Conference is divided into two sets of countries. First, strongly industrialised countries which retain practically all of their economic power, and second, countries which do not enjoy such a power but which have great possibilities of developing their resources in the future. There may be even a third group of countries: those which are already industrialised but whose markets are not sufficient as yet. I think their problem is very much the same as that of the countries belonging to the second group. This position has not been considered sufficiently at the outset of our work here. This is why the problem keeps cropping up in our discussions. Now, the question is whether the provisions which have been adopted here safeguard the interests of the three groups of countries, and I do not believe this is so. This is why our country, which belongs to the group of underdeveloped countries, has constantly been compelled to ask questions, to formulate reservations, to propose amendments and changes to the text of the Charter.

Sometimes the question has not been asked <sup>by</sup> ~~us~~ <sup>but</sup> by the representative of another group, but as I said before always in the centre and at the core of this discussion was the same problem of under-developed countries.

The question we are discussing here was raised after we found out that the London text granted very favourable conditions to developed countries, who were desirous of protecting their agriculture owing to its weakness or its inability to support itself. At that time we claimed that advantages granted to powerful countries who wanted to protect their agriculture should also be extended to industrial products. However, these considerations were not given due attention. Mr. Wilcox, raising the matter yesterday, said that it was necessary to allow the under-developed countries the right to avail themselves of protective measures. I think this definition given by Mr. Wilcox is not objective enough; in fact, the question is to extend to under-developed countries the advantages already granted to sufficiently developed countries.

If we look at the question as it has stood since the beginning of our discussion, we find the first stage was what was called the London compromise. Now this London compromise granted advantages to industrial countries - those countries which were already highly developed - and enabled them to impose the necessary restrictive measures, but the right was given to them and not to under-developed countries, as Mr. Wilcox said yesterday.

Now the countries who were granted this right were still dissatisfied and suggested amendments extending the London provisions. Afterwards, the group of under-developed countries made proposals tending to grant us the same right, in fact

our proposals tended to grant us equality of treatment with the sufficiently developed countries.

Now this claim brought forth very strong resistance which had not appeared during the discussion, either on the London Draft or on the subsequent amendment. The under-developed countries caused great discontent here which had not been evident before when the developed countries put forward their claims and requests. I wonder why there is such an attitude against us, and why there has been taken here a series of decisions, which, as they stand at present, tend to prevent us from looking into the future with any confidence which would enable us to develop our resources.

The Delegate for New Zealand said it was not correct to speak of under-developed countries, because there might be great opportunities in that field in the <sup>near</sup> future. He particularly said the centre of gravity of economic power may very well shift in the next fifty years from the countries which are the centre of gravity, now to countries which are at present under-developed.

If I was not directly interested in the matter, if I was simply an observer or a newspaper-man who might interpret the discussions as he liked, I would wonder whether the possibility of representing within fifty years from now the centre of gravity of economic power is actually given to those under-developed countries. If the Charter is maintained as it now stands, and if it does not make allowances for the needs of these countries, I do not think that possibility will exist. Supposing I were a newspaper-man, I would wonder whether these provisions which are such a hindrance to us, are not determined - of course without the other delegates consciously wanting this to be so - by some fear they may have of giving opportunities to new

competitors in international trade.

In order to avoid this speculation becoming a fact, we suggest that the London compromise be changed in order to meet the needs and interests of the countries which at present are under-developed and for that purpose we simply suggest/<sup>ed</sup>that the present provisions be extended to cover industrial products. We were answered on that - you do not seem to see the difference which exists between agricultural and industrial products. Now I wish to make it clear that we already knew this difference when we were in grammar schools, but we are very grateful to those countries who have thought it necessary to refresh our memories.

It has been said there is a considerable difference between agricultural and industrial products, and particularly our attention was drawn to the seasonal and weather elements which operate for agricultural products, but in fact the question here deals only with a particular type of agriculture and not with all types of agricultural products. Agricultural producers are not pleased with the London compromise, which, as the name indicates, is only a compromise and therefore not completely satisfactory.

If we read the Charter, we see that agriculture, and particularly the type of insufficiently developed agriculture is largely provided for and given possibilities of protecting itself. It enjoys the same treatment as industrial products. It can avail itself of tariffs, which are constantly quoted here, and subsidies - here I want to stress, incidentally, that under-developed countries are absolutely unable to avail themselves of subsidies, our only means of protection would be the one suggested by my colleague of Cuba which has met with such strong resistance here. Furthermore, we can

avail itself of the provisions included in commodity agreements which also apply to industry. Agriculture also is very substantially protected against the competition of under-developed countries which are not at all protected, since, as I said before, the production of under-developed countries can only avail itself of tariff protection and no other type of protection.

The Delegate for the United States commended the advantages afforded by customs tariffs which are a means of defence against any abusive protective measures. However, against all these stands the text of the London compromise which we contemplate extending. The amendments suggested by countries who want restrictions applied to agricultural products show the problem is very different from the standpoint of powerfully developed countries and the standpoint of under-developed countries. Here I will quote one example only to make my meaning clear.

In Article 15 there is a tendency to seek means of preventing an under-developed country from protecting its new-born industry. The delegation of the United States has proposed an amendment which has met with strong resistance from us, and I believe from some other delegates, tending to prevent a country from protecting a product from similar or competitive products. Now we find one of the amendments to Article 25, using the very same words, actually tends to achieve the contrary effect and to protect competitive products.

Therefore you see, Mr. Chairman, that even from a psychological standpoint it is always the same thing - the problem is seen and interpreted very differently by the different types of countries and there has been here a very strong resistance against the needs and the claims of under-developed countries and a certain willingness always to agree to the demands of sufficiently developed countries.

Therefore I ask you, Mr. Chairman, the circumstances being so unequal, what prospects have we got?

I wish to refer myself to the statement made by the Delegate for Cuba when we were discussing the question as it arose on Article 25. I am sorry to say, Mr. Chairman, that this statement did not enjoy all the consideration and all the attention it deserved, because I believe that it raised the question of the Conference. The Delegate for Cuba said approximately that they had met with sufficient goodwill here among the Members of the Conference and goodwill too from the principal importer but that, in spite of those apparently favourable dispositions, at the end of the Geneva Conference they would not be able to export one dollar more than they did in the past.

And furthermore, Mr. Chairman, what advantage do we get to offset the provisions of the Charter which bind our hands and prevent us from taking measures which may be necessary to our economy? Mr. Chairman, I put it here that we do not derive any

advantages. The Delegate for Cuba asked the Conference to consider these realities and to draw the necessary conclusions. On my part I wish to press the point because not only Cuba is involved here, and the situation is very much the same for all countries enjoying the same circumstances.

In order to prevent these unfavourable consequences, what are we doing here? The representatives of industrial countries have very strongly opposed anything that may be done for us, but, Mr. Chairman, I think we have a remedy here because Article 25 gives you all opportunity here to consider the position and make all necessary adjustments and allowances. I think the only solution we could adopt here would be to extend the provisions of the London compromise to industrial products, making of course all necessary adjustments in order to restore the equilibrium which might be destroyed by this Article.

I think a practical means of doing this would be to use the text of the London compromise as a basis and add to it first the amendment presented by my colleague for Belgium and furthermore the amendment presented by the Delegate of Cuba. Of course we should not necessarily have to use these texts as they now stand, but I think they should be the basis of a new compromise and maybe in the long run it would be much better for all parties concerned to have a Geneva compromise just as we have at present a London compromise.

Mr. Wilcox in his speech yesterday said very strongly that the United States had a Congress and it had a public opinion and if the Charter did not satisfy the United States Delegation here it would not dare submit it for the approval of Congress and public opinion. Mr. Chairman, we also have a Congress and we have a public opinion and if we derive from the Geneva text only disadvantages and a lack of prospects for the future we will not dare, either, to submit the text for the approval of our Congress and of our public opinion.

CHAIRMAN: The Delegate of South Africa.

DR. J.E. HOLLOWAY (South Africa): Mr. Chairman, this Conference is degenerating into a clash between what is generally known as the fully developed countries and the under-developed countries. I use the word "degenerating" advisedly. If we go on like this we will reach nowhere at all. Mr. Chairman, I am a man of peace, I prefer to see people try and find points of agreement rather than what we have been doing for sometime now - trying to find points of difference, and I would devote just a few words to the question of whether we cannot concentrate rather more on recovering those paths towards the measure of agreement which will be necessary, because let there be no mistake on that - if we do not get that measure of agreement, all those other things that we get on the side will be entirely worthless, whether we are under-developed countries or fully developed countries.

It has not been clear to me, since this Conference started, where the line has actually been drawn between the two, but as Dr. Coombs yesterday described Australia as an under-developed country and as, industrially and agriculturally, Australia has done things in its development which we have not yet dreamed of in South Africa, I may perhaps presume that I can also speak as a representative of an under-developed country to other under-developed countries.

I would like to say this in regard to a number of the proposals now before the Conference, on this subject of more scope for under-developed countries, that it would no doubt be a very pleasant state of affairs if one could run with the hare and hunt with the hounds, particularly if the hare can turn itself into a hound as soon as the hounds are likely to catch it.

If we under-developed countries can get all the benefits that we can out of the Charter, and retain the freedom which everybody had during the tragic years before the last war to shoot up the trade of other countries whenever it suited <sup>their</sup> own particular interests, it will no doubt be a very comfortable position for those who can do it, provided the others go on allowing them to shoot up their trade like that. But obviously that is not going to happen. Obviously, unless we can get that common ground, we are all going to be worse off. Now, where can we get the boundaries of the common ground? The Draft Charter recognises fully a very important restriction in international trade - the right of every country to protect its own industries. It sets out by making that recognition, although you will all be aware that at one stage it was thought that it might even be feasible to impose a ceiling to protectionist tariffs. That was given up. It was perhaps the first concession to under-developed countries, but it was given up because it was quite impracticable to carry out.

Now, we have an array of tools available for protecting our industries, an array of tools varying in usefulness. The position was not always so. There was a time when the magic words "most-favoured-nation treatment" were looked upon as more or less adequate to describe the limitations <sup>within</sup> which countries might work, and while, no doubt, in those distant days there was sufficient original sin in the world to enable countries to break away at the edges from the clear application of the most-favoured-nation treatment rule, still, on the whole, it worked. Well then, whether there was an increase in original sin, or merely an increase in technical ability, I do not know, but we all started finding ways round the most-favoured-nation rules, started finding new ways

of discrimination which bowed in obeisance to the most-favoured-nation rule and then proceeded to break it. We also found new devices which were the result of technical development which our grand parents never dreamed of. We went up that path, and we got into such an appalling bog that we all found we had to get out of it.

Well, there were two main things necessary to get out of it. We have agreed to restriction on international trade, which is represented by protection. But outside the boundaries of that restriction there are two things which are essential. We are not going to be worse off by having the powers which we have than we would be without them. The first is equal treatment for everybody outside the protective realm - non-discrimination is the main corner-stone of the Charter. The second is the removal of unnecessary restrictions.

The first is essential. We are having international treaties because human beings and States being what they are, as soon as you start knocking at them they have an unfortunate tendency to knock back. You get consequence on consequence, and in that pool you drop a stone and the ripples go to the extreme boundaries of the pool.

Secondly, we must remove unnecessary restrictions. Now, the Tariff has been accepted as a tool which can be used generally. The suggestion now is that certain other tools should be used on exactly the same footing as the Tariff.

I want to indicate that technically they are on an entirely different footing. The Tariff has a big advantage, a big advantage for getting these two objectives which I have indicated as necessary for our working with each other, because by the wise disposition of Providence we are all able to count, and the Tariff is generally put in such a way that you can count, and if we could go back to a simple way like that we would not have these lengthy discussions about discrimination; but actually, we have found that, being in the bog into which we landed, we have got to use some other tools. None of these have the efficacy for harmonising protection with non-discrimination

and with the removal of unnecessary restrictions which the Tariff has; but we must use them, and, again, speaking as a representative of a not-fully-developed country, I want to point out that all those other concessions are concessions to the not-fully-developed countries.

All those other methods that we have used in the Charter - subsidies, quantitative restrictions, State-trading, State monopolies - all have this one feature in common, that they do not automatically indicate where you are giving to other countries fair and equal treatment - that fair and equal treatment which is essential for international co-operation; nor do they automatically indicate that there is not unnecessary restriction.

Therefore, two very simple rules follow, two very simple rules by which this Conference must test, pretty well, every Amendment that deals with quantitative restrictions, State-trading, State monopolies or any other method of protection other than Tariffs. The first is that it is essential that you must circumscribe those things because they do not circumscribe themselves automatically; and the second is that that limitation must be adequate to bring about that non-discrimination, that limitation on unnecessary protection, which are two of the main things which we must have. You must have rules. You cannot go without rules, and those rules must be adequate.

Now we are drafting some of these rules, as I shall try and indicate presently. A number of them conflict with these very simple propositions which are essential; but the Charter is not satisfied with going only that distance. The Charter admits that you might have to go further when you are dealing with

these matters. That we all know something about - that you can lay down certain rules, and having made those rules, you have given everybody a franchise to act inside the limitation of those rules.

The Draft Charter says further, that there are exceedingly likely to be circumstances for which you can make no general rules, but which can yet be admitted, and in that case you have just got to treat each subject on its merits; therefore, you come back to article 13, which says, if none of those other rules will suit you, we will still see what we can do to meet you.

Now, I feel, Mr. Chairman, that our attempt to get out of this bog - both fully developed countries and under-developed countries - can perfectly safely go quite a long way to meet each others difficulties. I would go further, and say that in the present state of the world's trade, they ought to go quite a long way to meet each other's difficulties.

We are not in a position in which the patient is healthy. We have to put up with a large number of things which normally we would not like to countenance; or if I may change my metaphor, we are learning to swim, and we jolly well still have to get into the water, even if we do not like getting into the water at the particular spot where it is necessary to get in to learn to swim. We are learning to make rules for the proper conduct of international affairs, but, again, there is a limitation - again there is a limitation, and that limitation is that we must not in any of these rules and concessions that we make for each other go to such an extent that we break down the main thing that we are trying to do; and I suggest to you from both sides - not only the under-developed countries, but

also the fully developed countries - that there is a tendency here to forget that we are trying to do what we can under present circumstances, a tendency to write absolute rules in vacuo, saying that everything else is in. We are not facing that situation.

We want to meet each other, but we want to co-operate. I think if you will look at some of the Amendments which have come nominally on behalf of under-developed countries, it is perfectly clear that they mean running with the hare and hunting with the hounds, and that a proposal like that - a proposal which gives a country the right to do what it likes with its own trade, while at the same time taking the full benefit which can be given by other countries which are not allowed to use that right - that sort of proposal breaks down the central character of the Charter; and I suggest that that rule should<sup>not</sup> be applied.

I want to refer also to some proposals that have come from the more fully-developed countries.

I want to quote just one example: I have observed a great deal of damage which has been done by a proposal which was badly formulated, and which I think has given everybody the impression that it means a great deal more than it actually does mean and that I am convinced the countries proposing it meant by it - that is, the so-called mixing regulations.

Everybody has thought, "Here is some devilish scheme to knock up potential industries by not allowing them to use methods which are in daily use all over the world". I think it is a pity that that happened, because I do not think it was intended (though the mixing regulations have certainly created that impression) that the fully developed countries were trying to peg a claim inside under-developed countries, so that the under-developed countries could not develop their industries.

I would suggest, Mr. Chairman, that we test our amendments by this simple test: whether, in fact, if the same rules were applied - were actually carried out - by every other country here represented, there would be any room for us to co-operate. I suggest that if you apply that rule, you can drop quite a number of amendments into the wastepaper basket straight away.

CHAIRMAN: We have still six speakers on the list. We cannot go on now, and I propose that we should meet again on Saturday morning at 10.30 a.m. and then the first speaker will be the Delegate of the Lebanon; the second speaker will be the Delegate of New Zealand.

The Meeting is adjourned.

(The Meeting rose at 1.15 p.m.)