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

The attached further letter and enclosure have been received from the Representative of the International Co-operative Alliance presenting the observations of that Non-Governmental Organization on Chapters I - IV.

In accordance with the established procedure, the attached paper is drawn to the attention of all Delegations, and particularly to those representatives who have been designated to serve on the Consultative Committee (non-governmental organizations).

The earlier comments of the International Co-operative Alliance on Chapter VI were circulated as Document E/PC/T/80, and the comments on Chapter VII were circulated as Document E/PC/T/114.

THE INTERNATIONAL CO-OPERATIVE ALLIANCE

14 Great Smith Street, London S.W.1.

To the

Executive Secretary of the Preparatory Committee of the
United Nations Conference on Trade and Employment,
Geneva.

Referring to my previous letter I have the honour
to submit to you the comments of the International Co-
operative Alliance on Chapters I - IV of the Draft Charter
of the International Trade Organization.

Very sincerely yours

(Sgd.) THORSTEN ODHE

Permanent Representative of the
International Co-operative Alliance
at the United Nations.

DRAFT CHARTER OF THE INTERNATIONAL TRADE ORGANISATION (I.T.O.)

COMMENTS ON CHAPTERS I - IV..

Presented by MR. THORSTEN ODNE,
Representative of the INTERNATIONAL CO-OPERATIVE ALLIANCE (I.C.A.).

With regard to these introductory Chapters the International Co-operative Alliance (I.C.A.) desires to stress that the formulation of the general purposes of the International Trade Organisation and of its orientation towards the world economic situation now prevailing - in the diseases and latent crisis of which the I.T.O. has to make a prompt and resolute incision - is of the greatest, even decisive, importance with regard to the potentiality of the Organisation to make a real contribution to world economic reconstruction in the reasonably near future.

The main practical purpose of the I.T.O. in the field of international collaboration within the frame of the United Nations Organisation is to formulate such trade rules and forms for the interchange between nations as will materially contribute to restoring its freedom to the greatest possible extent and, under all circumstances, allowing it to flow more freely than at present. The main obstacles to the freedom of international trade were presented in an excellent and penetrating manner in the Proposals published by the State Department of the United States of America eighteen months ago. The restrictions on free international trade by Governments, as these Proposals indicate, fall into one or other of two categories, viz. 1. Restrictions imposed in accordance with the old-established routine of protectionism; 2. Restrictions necessitated by the war and its economic aftermath. The restrictions imposed by cartels and other private monopolistic organisations have been further reinforced during the war, when the cartels and private trade organisations generally were able to extend their power, partly because the Governments were compelled to use their services with a view to furthering planning and concentration of national economic activities in order to pursue the necessary aims of war economy. The fears of dislocation in the raw material markets and in industrial employment were fortified by the devastation of productive resources directly caused by the war and by the monetary chaos created by war exertions and the protracted radical disturbances of international supply and trade exchange channels. The chief symptoms of this malady are widely distributed balance-of-payment difficulties. However eager may be the desire of the peoples that the chains paralysing international trade exchange should be loosened as soon as possible, the economic consequences of the war, in the shape of enhanced national economic isolation, are realities to which the utmost attention must be given when formulating the aims of the I.T.O. and planning its practical work.

In order to create the elementary pre-requisites for the main practical work of the I.T.O. aiming at the reduction of tariffs and preferences and the ultimate abolition of international trade barriers generally, the Preparatory Committee has found it necessary to establish some decisive lines of the economic policy to be pursued within the member countries. It is rather self-evident that these lines should be given the character of general principles and, therefore, that the obligations implied by these Chapters of the Draft Charter cannot be of the demarcated and closely defined character of the specific obligations relating to general commercial and trade policy in Chapter V. They must rather be regarded as a confession in principle to a new orientation of political economy for the extension and supremacy of which the I.T.O. must carefully plan and carry out its general educational and propaganda activities. So much the more important is it, therefore, that these general principles should be formulated in a clear and convincing manner and be placed at the head of the Charter in a universally comprehensible text.

During the inter-war period a new economic theory was established - chiefly due to keen-sighted and realistically-minded British economists - which is radically at variance with the classical liberal economic theory in crucial points and which has also been put to a practical test in different countries, with a result that might be regarded as definitely promising, considering the difficulties of a quite extraordinary character which had to be overcome. Everything points to this theory, applied simultaneously with a progressive, all embracing policy of social reforms, giving the most valuable practical directions with regard to the avoidance of cyclical depressions and to the maintenance, generally, of an expansive economic development in all countries whose social and political institutions enjoy a degree of democratic freedom that allows for its application. In an excellent and widely known book the British economist, Sir William Beveridge, has summarised the general interdependence between an economic policy founded on the principles here indicated, on one hand, and, on the other, the restoration of free international trade exchange:

"Any plan for uncontrolled multi-lateral trading between any group of countries can be permanent and work smoothly only if each of the countries accepts three conditions - first, of pursuing an internal policy of full employment suited to its special circumstances; second, of taking or assenting to all the measures necessary to balance its accounts with the rest of the world, and avoiding want of balance, whether by way of excess or deficiency; third, of displaying reasonable continuity in its foreign economic policy, particularly in respect of the control of trade by tariffs, quotas, or other means".

The point of gravity is placed by this theory upon full employment, for the attainment and maintenance of which certain lines of action in respect of internal economic policy are of decisive importance: redistribution of purchasing power with a view to maintenance of a stable demand for consumers' goods on a broad basis; planned apportionment of productive resources and the results of production between consumption, investments and savings; an expansive credit policy based on low rates

of interest; and the positive collaboration between the State and the different partners of national industrial life in framing the lines of expansion of the national economy. Suitable methods for its implementation show a rich variety; social policies and labour market agreements directed to establishing a family wage; a "high wages policy" applied throughout industry; furthering the construction of dwellings by means of State or municipal credits; State investments to counter-balance shrinking private investments; support to agriculture with a view to its mechanisation, reducing its costs and improving its general social conditions; and others. Full employment thus having been attained, its main purpose would be to **increase production and create continuous advancement in efficiency with regard to production as well as distribution, in order to bring about an ever-increasing volume of consumption - which is only a different term for a rising "living standard".** "The material end of all human activity", Sir William Beveridge says in his book, "is consumption. Employment is wanted as a means to more consumption or more leisure as a means to a higher standard of life".

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In the opinion of the I.C.A. it is of imperative interest that the support of the member countries of the I.T.O. to this policy should be accentuated by formulating the main purposes of the Organisation in simple, expressive and logically coherent language in Chapter I. The promotion of the freedom of international trade exchange is the principal aim of the I.T.O.; in order to give effect to that aim as soon as possible the pre-requisites must be created for such an economic development in each of the member countries as will enable them to adhere to the principles of free trade interchange without reservations and to realise them without reluctance. That the full realisation of the obligation of the member countries is the uncompromised basis of agreement of the I.T.O. is shown by the fact that the Draft Charter not only contains numerous escape clauses and emergency provisions for countries with serious economic difficulties, but also contains directions for overcoming these difficulties by the assistance of international solidarity and devices jointly applied.

The logical sequence pursued in the presentation of the aims of the I.T.O. should, therefore, NOT be - the loosening of international trade from its fetters to create the pre-requisites for full employment and rising living standards, BUT - by striving to establish a policy of full employment and rising living standards by all the member countries, internationally co-ordinated conditions will be created for the continuous pursuance of a programme of freer international trade and the ultimate abolition of all international trade barriers. By defining in detail the means of action to give effect to such a programme and agreeing to their gradual application, member countries are expressing their conviction that, if the full employment policy is wholeheartedly embraced by all countries, economic reconstruction will be carried out with such comparative rapidity that there will be no risks in undertaking the practical work of reducing tariffs and abolishing other trade

barriers immediately and accomplishing it stage by stage.

The I.C.A. is of opinion that the logical sequence here indicated was better expressed in Chapter I. of the Suggested Charter than in the corresponding Chapter of the Draft Charter. Article 1, Chapter I. of the former emphasised, in paragraph 1, the specific practical purposes of the I.T.O. in the field of international collaboration; in 2, the importance of an expansive economic policy to be pursued in the member countries and of international solidarity and mutual aid to carry it into effect; in 3, the necessity of international support to countries at an early stage of industrial development; and in 4, the statement that, beside its practical working purposes in the field of commercial policy the I.T.O. must also pursue the general aim of promoting such an economic policy as mentioned in 2, i.e., to attain a steady expansion of economic life and a high level of employment and real income. Article 1 Chapter I., of the Draft Charter - while stressing, it is true, that the main task of the Organisation is "to realise the objectives set forth in the Charter of the United Nations and, particularly in Article 55(a) thereof, namely, higher standards of living, full employment, and conditions of economic and social progress and development" - suffers from several reiterations and is, on the whole, more descriptive than definitive in character. It attempts to summarise the contents of the different Chapters instead of stating the principal aims of the Organisation with regard to world economic reconstruction in a few striking and easily understandable sentences.

The I.C.A. wishes to draw attention to the general points of view presented by the representative of the W.F.T.U., Mr. Jean Duret, which stress the importance of the attainment and maintenance of full employment being placed in the centre of the declaration of the main aims of the I.T.O.; on the other hand, that the definition of the specific tasks of the Organisation in implementing this policy by joint international action within the framework of its activities seems to be contained in its entirety to greater advantage in Chapter III. The reformulation proposed by the I.C.C. appears, on the whole to be based on a similar conception of bringing full employment into the limelight and has the obvious advantage of summing up the specific and general purposes of the I.T.O. in an admirably brief and concise manner. But its equally obvious deficiency is that in its vigorous concentration it does not give a sufficiently clear and distinct expression to the logical connection between the aims to be attained and the practical tasks to be fulfilled, and that it deletes the important declaration of the principle of free and equal access to the productive resources of the earth. By a slight editorial alteration these deficiencies in the opinion of the I.C.A., could be remedied and the desire for a concise and logically striking formulation of Chapter I. satisfied by framing Article 1, Chapter I., as follows -

"1. As a specialised agency of the United Nations, the International Trade Organisation shall assist the Economic and Social Council in promoting high and stable levels of production and employment and rising standards of living throughout the world. To that end it shall further the enjoyment by all countries, on equal terms

of access to the markets, products and productive facilities which are needed for their economic prosperity and development.

2. As a consequence of these aims being accomplished a free flow of multi-lateral trade and commerce between nations will be achieved, thus enabling the fullest utilisation of the world's human and material resources. It should be the specific purpose of the I.T.O. to assist this development in all ways possible.

In submitting this proposed reformulation of Chapter I. to the consideration of the Preparatory Committee the principal desire of the I.C.A. is that the aims of the I.T.O. shall be so worded that the work of the Alliance in disseminating a clear understanding of them amongst the rank and file of the World Co-operative Movement may be facilitated; also that, since the realisation of the aims is of vital interest to its 85 million family members, the I.C.A. may assure their full support for the implementation of the principles involved in the internal policies of their respective countries. The I.C.A. believes that this task will be more easily accomplished if Chapter I. is formulated as a vigorous, precise and arresting Appeal.

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With regard to Chapter III and its definitions of the means for accomplishing the implementation of full employment in all countries by joint international action the I.C.A. has few comments to make. As previously emphasised, if the I.T.O. is intended to unite countries with varying economic systems and at different stages of economic development it cannot be expected that the member countries will be able to accept closely defined obligations of a uniform character with regard to their internal policies unless they are necessary for the fulfilment of specific obligations falling within Chapter V. (mostly with regard to internal monetary policy); or the obligations of a much more limited character necessary to satisfy certain provisions in Chapters VI. and VII. Under these circumstances the I.C.A. finds that the formulation in Article 4, 1, of the obligation of the member countries to carry into effect the full employment policy "within its own jurisdiction through measures appropriate to its political, economic and social institutions" is the only possible solution. Freedom to choose between the different means of action, as well as to determine the degree of implementation suitable and possible, should remain an impregnable aspect of national sovereignty and will, moreover, present no obstacle to the full realisation of the principal aims of the full employment policy in democratic countries. That the pursuance of such a policy already within the framework of the general obligations accepted in Chapter III. is likely to lead to an increased degree of State planning and leadership in national economics is inevitable; on the other hand there seems to be no reason for establishing certain forms or degrees of State-planned or directed economy by joint agreement, so much the more as stipulations of this kind might very easily lead to forms of State intervention which are undesirable or injurious to the general aims to be pursued by the Charter.

With regard to Article 8 the I.C.A., in conformity with the proposals previously submitted to the Preparatory Committee on Chapters VI. and VII., desires to submit that the possibilities of the I.T.O. to utilise fully the consultation of the Non-Governmental Organisations in the field of international collaboration in order to secure the general application of the full employment policy should be safeguarded by inserting special provisions in this Article. The I.C.A. and most of its affiliated National Co-operative Organisations have very highly developed centres of information - particularly concerning trends of consumption and demand, development of retail trade turnover, prices and real income- which might prove advantageous to the service of information and consultation provided by this Article. It is to be assumed that other Non-Governmental Organisations possess similar possibilities of regularly supplying valuable information. The I.C.A. therefore proposes that the opening of Article 8 should be formulated as follows:

"The Members and the Organisation shall participate in arrangements made or sponsored by the Economic and Social Council of the United Nations, including arrangements with appropriate inter-governmental and non-governmental organisations".

Finally, with regard to Chapter IV. the I.C.A. desires to stress that the aims pursued here in principle conform to its own general economic programme and to the specific tasks pursued by the Alliance within the framework of that programme. The main purpose of the I.T.O. will only be accomplished in so far as it succeeds in bringing within its fields of activities the greatest possible number of countries. This may best materialise by rendering solidary support to countries at an early stage of economic development in the shape of joint planning and technical assistance.

The provisions contained in Article 13 which purport to establish safeguards against the utilisation of tariffs imposed with a view to nursing new industries or of other protective measures in an exaggerated manner or a spirit of aggression seem well balanced and appropriate to the ends to be pursued, and their real implication seems to be that the field of planning for the progress of undeveloped or insufficiently developed areas will also be submitted to the I.T.O. for consultation, advice and assistance by means of concerted action by the member countries.

With regard to this department of the current work of the I.T.O., the I.C.A., whose members include Co-operative Organisations in such countries - inspired by the keen and serious desire to participate in raising the prosperity of their peoples and with valuable experience of the most suitable methods of organisation and education to that end - offers its unreserved assistance to the International Trade Organisation.

JUNE, 1947