

HEADS OF DELEGATIONS

SUMMARY RECORD OF MEETING

Held at the Capitol, Havana, Cuba, on 24 December 1947 at 3.00 p.m.

President: Mr. Sergio I. CLARK (Cuba)

Mr. GUTIERREZ (Cuba) declared that his delegation did not share the anxiety of some Members in the face of the difficulties that had not unexpectedly arisen mostly as a consequence of certain representatives not having been present at the Preparatory Committee meetings in London, Geneva and New York. It was also obvious that the draft, as a compromise document, could not be perfect yet, but notable success had been achieved on many issues, except on Articles 13 and 20. Everybody was in principle against quantitative restrictions, subsidies, certain taxes, cartels and financial disequilibrium but were not agreed on specific provisions. Unless agreement was reached, the under-developed nations would find themselves to be much worse off in a world at the mercy of the most powerful countries.

Cuba, which considered herself at the beginning of her economic development, was not afraid of the draft text even if she was not fully satisfied in every respect. He felt that the Articles provided sufficient defensive measures in the event of economic emergencies, and he retained his faith in the great democratic nations. The Cuban amendments to Articles 13 and 20, however, were most important because the exceptions provided for in the Charter had to be more clearly specified and because they had to be applicable for definite emergency situations. He appealed to the delegations to discard narrow economic nationalism in favour of international collaboration, in the true Christmas spirit.

Mr. de VRIES (Netherlands) stated that his delegation had come to Havana in the same spirit as it had shown in Geneva and London, namely to implement the purposes of Article 55 of the United Nations Charter. The task of the Conference was to frame a world Charter for Trade and Employment, and to create the International Trade Organization. Those inter-related objectives were being lost sight of when the opinion was expressed that the Charter ought not to contain obligations for Members, but only recommendations, and that the Organization should serve as a consultative organ only. He
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recalled that in 1927 the League of Nations had organized a world conference on international trade with nearly the same objectives as the present Organization but which subsequently failed because of the insertion of escape clauses narrower in nature than Articles 13 and 20 envisaged now. All the world suffered in the economic war of the 'thirties because there was no referee, no Organization, to administer or implement a fair and balanced Charter.

As long as the Conference was the supreme body of the Organization, he felt certain that no nation's sovereignty was in jeopardy, nor did the Charter infringe on it. It would be mutually advantageous if a small part of the nations' sovereignty was surrendered for the promotion of economic advantages of all Members. He declared that any attempt to set up an independent international body outside its Members' sovereignty would have been rejected, and the failure to create a World Food Board by the FAO was an example of that. In order to be effective in its work, the Organization and the Charter should be vested with sufficient powers to screen Members' unilateral actions which might be detrimental to other countries, and machinery should be created which would allow Members to develop their economies and to maintain high levels of employment and real income without unduly shifting the burden onto other nations. If that aim was not achieved, an economic war would ensue, against which the depression of the 'thirties would seem insignificant, which might lead to the ruin of under-developed countries, as well as the other to the utter negation of all the principles of the United Nations, and ultimately to war itself.

He felt certain that the Conference could achieve its task and would give the Organization the powers necessary for its functions.

Mr. RICHARD (France) thought that the present problem was how to implement the objectives, with which everybody agreed, so that co-operation between Members would result in an efficient Organization. The first question in that context was whether nations should renounce or lend part of their sovereignty. His delegation recognized the necessity of such a transfer. Grave dangers, inevitable fights and economic reprisals would result from submitting to a posteriori sanctions. Preventive regulations were definitely preferable to repressive justice. The Charter was well conceived in providing for prior consultative procedures. Secondly, was the question of form, and it was not surprising that this proved to be complicated, in view of the diversity of the problems involved. With all its defects, the Charter would be better than none, and it had the further advantage of having been so thoroughly examined that in its application no surprises would have to be expected. Obviously, not everybody would be
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completely satisfied, but that was the essence of all compromises. To cite, as an example, Article 20, French public opinion had been traditionally of a protectionist nature; yet, his delegation had accepted the draft text, keeping in mind the viewpoint of larger exporting countries and had agreed to it together with the United States representative.

It was essential that a compromise be reached, satisfactory in its principles to all Members and equally applicable around the world. His delegation would be unable to accept a text with different provisions for different categories of countries. Finally, he warned against trying to rush matters through by means of formal votes or otherwise; even if the task would thus be somewhat longer and more labourious, it was still the only really efficient method of arriving at a compromise agreeable to all. The proposal made by the Norwegian representative ought to be generally accepted, and no votes should be taken except in extraordinary circumstances.

Mr. AUGENTHALER (Czechoslovakia) declared that he was an optimist and thought that the alternative to a successful conclusion of the Conference was too tragic even to contemplate. He suggested that everybody go on with the assignments until 10 January 1948, when technical matters would have been disposed of by the sub-committees and when stock could be taken of any remaining and important differences. He wished all the delegations A Merry Christmas, and A Happy New Charter.

Mr. SUETENS (Belgium) examined the problems of commercial policy in their relation to the sovereignty and liberty of Member nations. Certain delegations held that any intervention of or prior authorization by, the Organization in regard to industrial development, preferential agreements, customs unions and preparatory agreements leading to such unions, infringed on their vital interests and sovereignty. The problems facing an industrially developed country were by no means smaller or simpler than those of an underdeveloped country, when it accepted the intervention of the Organization. It had to watch its balance of payments just as the others, was as much concerned to protect its existing industries as the others were in establishing new ones, and countries like his own had, furthermore, to take into account their rehabilitation after the war. Nevertheless, they were ready to accept the Charter, and the Benelux countries, e.g., would not have hesitated to submit their customs union to the Organization under Article 42; yet there was no doubt about their staunch feelings regarding national sovereignty. He felt that the present text was insufficient with its a posteriori control and sanctions, Article 89 was threatened by certain amendments which limited the possibilities of recourse to the Charter in the case of infractions. If such amendments were adopted, underdeveloped countries would be at liberty to act, completely free of any control,
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regarding preferential agreements, quantitative restrictions, etc. It seemed difficult to visualize how the other countries could accept such an inequality of procedure. The crisis of 1929 had demonstrated that all countries had suffered equally, regardless of their degree of development: the risk was the same for everybody.

Liberty was indivisible, he thought, and the consequences of any individual's or nations' acts had inevitable repercussions on its neighbours; nobody could really act as he pleased without considering others. Several delegations had enumerated in Committee III the dangers and risks of a lack of general rules of conduct in an international Charter. He thought that once the one-country-one-vote is definitely accepted, the smaller and underdeveloped countries would have nothing to fear of collaboration. He urged the smaller countries not to distrust the Organization even before it was born and warned that nobody was strong enough alone to face the crisis which inevitably would come unless the Charter was adopted.

Mr. WILGESS (Canada) suggested that patience and time would finally resolve the difficulties, if everybody continued on the job, endeavoured to resolve the work of detail and brought the remaining issues more clearly into focus. The main purpose of the Conference was the setting up of rules of conduct for international trade of maximum benefit to all, and everybody had to make certain concessions to achieve that goal. There was a basic error in the thinking of certain delegations if they tried to establish different sets of rules for different sets of countries, i.e., countries of a different degree of development. Quantitative restrictions had been ruled out in Article 20 only in their general, unrestricted and unfettered application, but exceptional cases had been left open for emergencies. As the United States representative had pointed out, there were grave dangers ahead unless rules and regulations were in force to prevent economic anarchy. The assumption that quantitative restrictions were essential for economic development was fallacious and many countries had developed without recourse to such restrictions. The definition given by the Uruguayan representative for an underdeveloped country as being one that exported foodstuffs and raw materials fitted Canada very well, which also disposed of more undeveloped square miles than any other country at the Conference with the possible exception of Brazil. Still, Canada did not claim any need for quantitative restrictions in the realization of the real harm that such measures would produce. He called attention to the fact that such war ravaged or underdeveloped countries as Finland and Liberia had accepted the draft text, and thought that many delegations believed in adopting quantitative restrictions for their economic development's protection when they did not
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need to resort to such measures at all as a general rule; and the Charter did provide for emergency cases. It was not too much to ask everybody to accept the same rights and obligations, as otherwise certain countries would be harmed, or even a chain reaction set in motion that would involve the whole world. He appealed to the underdeveloped countries for a co-operative spirit.

Mr. NASH (New Zealand) said that since the Geneva Conference, his delegation, had been supporting quantitative restrictions subject to certain safeguards ensuring maximum trade volume and non-discrimination. Two main lines of opinion had developed during the discussions: (1) opposition to all kinds of discrimination and quantitative restrictions as a normal course and (2) the support of quantitative restrictions for industrialization by underdeveloped countries. The New Zealand amendment to the former Article 33 had not been accepted in view of the provisions of Articles 13, 21 and 43. He did not ask, like some delegations, for unqualified right to use quantitative restrictions. If the latter continued to make it a major policy matter, agreement on the Charter which he considered important, was doubtful. In view of the relatively few meetings of the present Conference, there was no need for pessimism with regard to success. The intensity of the discussion had brought out the general desire for a Charter and an Organization, consequently it should be possible to reach the compromise agreement necessary. Although underdeveloped countries needed the assistance of the major countries, there should be no subservience at a United Nations Conference. Co-operation was necessary for the United States of America as well as for everybody else. Whether it was a matter of obligations, obtaining of permissions, or discretion, New Zealand would act in accordance with the objectives and principles of the Charter, and appealed to other countries to do the same. Each state should protect its interests without detriment to others. He supported the suggestions of the representatives of Czechoslovakia and Canada concerning a review at a later stage after further discussion in Committees and Sub-Committees.

Mr. SARLIN (Sweden) said that his country's positive position with regard to the Charter had been defined at the general debate; he agreed with the general principles, although like other representatives, he had presented certain amendments. The constructive spirit of the discussion was encouraging. His country was ready to co-operate for the success of the work.

Mr. W. KING (China) also noted a constructive spirit in the discussion. On one side there seemed to be the unwarranted fear that the Conference would inevitably deny approval of quantitative restrictions, and on the other, that unqualified use of quantitative restrictions would lead to excesses. If those

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fallacious assumptions were eliminated, a basis for agreement could be found. He deplored some newspapers conjectures that the Conference might break up. Although a major crisis had been reached, it was the duty and privilege of all to overcome it. Failure would have an extremely serious effect on public opinion especially in those countries that had taken the initiative with regard to the ITO and on the contracting parties to the General Agreement on Tariffs and Trade which might then re-consider their position. The Conference should continue to seek a formula of agreement. He therefore supported the suggestion of the representative of Czechoslovakia and appealed for the constructive leadership of those who were in a position to make solution possible. He agreed with the representative of Norway concerning the avoidance of voting, in case, however, a vote were taken, having no instructions as yet from his Government, he would have to abstain - without having changed his position with regard to his amendments, however.

Mr. JIMENEZ (El Salvador) felt that the golden mean should be found between the various tendencies. The industrialized countries' concept of equilibrium was very formal, while the underdeveloped countries felt that there should be a basic criterion - unequal treatment for unequally developed countries. A compromise had to be found. Two elements had to be considered; the conflict of interests of the major and underdeveloped countries, and the unequal knowledge of the Charter of those who had, and those who had not participated in its drafting. He agreed with the representative of Czechoslovakia, and suggested that a committee should be formed composed of representatives of the major as well as underdeveloped countries and those countries that had not attended the Preparatory Committee meetings. While that committee would try to find a formula of agreement, the Conference could continue the examination of the remaining provisions of the Charter, thus a compromise might be reached before January. As regards his country's position with regard to the Organization, the latter should be neither a super-state, nor merely an adviser, but a practical institution.

Mr. DEDMAN (Australia) said that although his country was not in a position to determine the provisions of the Charter, he would indicate its view on the matter. The criteria of his Government on the basis of which it would decide to accept or reject the completed Charter, were: (1) the Charter's contribution to the solution of the world's present and future economic problems, and (2) whether the Charter obligations were consistent with Australia's basic interests and economic and social philosophy. In connection with the first criterion, the policies and practices of the major economic countries (especially the United States of America) were
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of primary importance. It was, therefore, important that the Charter should encourage the United States of America to pursue policies of high levels of employment and effective demand which were in the interest of other countries as well. The Charter should also oblige the United States of America to pursue policies leading to a more normal balance of payments between that country and the rest of the world. There should also be the obligation, on the part of the United States of America and other industrial countries, to promote economic development of underdeveloped countries and especially to pursue a liberal trade policy. The latter point was so important that it warranted some sacrifice on the part of other countries. As regards the second criterion, Australia had to retain freedom of action to deal with its various economic problems. But even where other methods might be preferable, as for instance, quantitative restrictions, his country would weigh them against their effect on other economies. Australia was prepared to appeal to the ITO for quantitative restrictions, believing that the latter's judgement would be fair. In doing so, his country would merely agree not to exercise its sovereignty as long as it remained a member of the Organization. There could be no encroachment on sovereignty while there was full liberty to leave the Organization. While Australia's membership was not strictly necessary, the presence of other countries was essential. Therefore, the views of the latter were of great weight which, in turn, obliged them to regard as fundamental only issues which were absolutely basic. His country accepted the view of the United States delegation that the question of quantitative restrictions was fundamental. There was no reason for serious concern with regard to the Conference's progress; he suggested that delegations should reconsider the importance of issues raised by them.

Mr. PEREZ (Dominican Republic) stated that although his delegation was in agreement with the principles of the Charter and prepared to accept a compromise solution on all controversial issues, it could not accept paragraph 2 (c) of Article 16, since no justification existed for such preferences. He appealed for a more understanding attitude on the part of other delegates, and felt sure that the Conference would achieve successful results if certain adamant positions were relinquished.

Mr. D'ASCOLI (Venezuela) fully supported the proposal of El Salvador for the creation of an ad hoc sub-committee to consider controversial issues with a view to reaching a compromise solution. That practical suggestion would avoid the present "impasse". The discussion had usefully clarified certain subject matters on which it was difficult to reach agreement. He proposed that the head of delegations should continue to meet as a permanent committee at least until after all points of divergence had been fully

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clarified. The Geneva draft could not be accepted without certain modifications; but all amendments required constructive criticism. Venezuela had never rejected the Geneva draft but had always considered that the principles laid down should serve as a basis of discussion of all points of view.

Mr. VANONI (Italy) was convinced that self-interest had not prevailed in the drafting of the Charter. Italy had submitted amendments and might be obliged to accept certain modifications to them, but a spirit of mutual co-operation and confidence in the principles of the Charter should predominate. The result of the work should not be jeopardized. The necessity for QR in certain exceptional circumstances had been recognized; moreover, the Marshall Plan was proof of the generous interest of the United States in the maintenance of peace and in the achievement of a better economic equilibrium.

Mr. WAERUM (Denmark) stated that his country was ready to stand by the essential principles of the Geneva Draft, and had submitted amendments on points of drafting and with a view to the removal of escape clauses. He thought that those countries which advocated unilateral action should have confidence in the Organization to act wisely under the provisions of Articles 89 and 90, and to decide the period of time for which certain exceptions could be granted.

Mr. STUCKI (Switzerland) believed that the discussion was premature. The progress of work could not be reviewed until certain very important Articles, such as 21, 22, 23, 24, 93 and others had been fully discussed. No useful purpose would be served by the creation of an additional sub-committee at the present time.

Mr. MacCARTHY (Ireland) emphasized that Ireland took its stand on the opening chapters of the Draft Charter, namely, the development of trade in the less developed countries, from which it followed that QR should be applied in certain cases. He approved that the establishment of an ad hoc sub-committee, but thought that a joint sub-committee should be set up to examine Articles 13, 20 and 21.

Mr. MULLER (Chile) agreed that the discussion was premature. It should be remembered that representation of the Preparatory Committee was different to that at Havana. He explained that the first amendment of Chile referred to mutual concessions between neighbouring States with complementary economies without providing automatically for such concessions through the most-favoured nation clause to all members of the Organization. Countries should not be forced to accept a Customs Union for the purpose of economic development. The second point did not aim at creating a gap in the Charter but attempted to define the procedure for the economic development of the underdeveloped
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countries. The need for QR was a consequence of the special position of Chile where the need for imports was greater than that of international exchange. Restrictive measures would help towards economic development, create higher purchasing power and thus indirectly assist international trade. Public opinion and the Parliament in Chile would never accept the Draft Charter without certain modifications; what was wanted was a powerful Organization which should have more than consultative functions. Chile would be ready to renounce certain sovereign rights if assurance was provided that beneficial results would thereby accrue.

Mr. GUTIERREZ (Bolivia) congratulated the Chairman on having called a meeting which had led to an exchange of views and certain useful suggestions. He supported the suggestions of the representative of El Salvador and Venezuela, recalling that views on certain matters had frequently been affected by other questions. Therefore, basic agreement was necessary for further detailed analysis. He could not agree with the representative of China concerning newspaper reports on the Conference, and paid tribute to the work of Cuban news services.

Mr. WATERSON (Union of South Africa) disagreed with the representative of Switzerland regarding the prematurity of the meeting. In reply to the representative of Uruguay, who had disagreed with the Australian statement concerning the Charter, he observed that the draft, while not perfect, was the result of solid preparatory work. He agreed with the facts pointed out by the representative of Australia. It would be tragic to leave Havana without successful conclusion of the work. It was true that some countries, that had not participated in the work in Geneva, were not yet sufficiently acquainted with the Charter. Certain major points of difference had to be resolved. The fact that all delegations would have to face their Governments and public opinion, constituted a common bond between them. While agreeing with the objectives of the El Salvador proposal, he felt that another committee might be unnecessary. He also doubted the practicability of the Venezuelan suggestion, but agreed that a way be found for the quick examination of the major points of difference. The Chairman might call meetings of the heads of delegations before Committee meetings in order to reach agreement in principle.

In regard to quantitative restrictions, he expressed the view that his country and other countries would like to be able to impose quantitative restrictions at will but had accepted the draft Charter in a spirit of general compromise. The existing provisions in the Charter would permit a country to avail itself of quantitative restrictions if necessary although it might seem to a casual observer at the present meeting that no such provision existed in the Charter. He agreed with the remarks of the representative of Chile that some limitation on the use of quantitative restriction was essential, but
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he wished to point out that the purpose of the Conference was not to create a final Charter but one open to interpretation and amendment with the idea of securing not a fixed standard of living but rather steadily rising standards of living. He agreed with the Australian remarks on sovereignty. In agreeing to the Charter no sovereignty rights were surrendered; there was merely an agreement not to exercise certain rights of sovereignty. Concerning quantitative restrictions, he wondered what risks were actually at stake. If it was necessary for a country to get approval for the use of quantitative restrictions it could submit a request to the ITO; he advocated improving the method of submitting such requests for obtaining permission from the Organization, but there was no risk involved if the Organization acted, as he was sure it would, responsibly and not as a policeman.

Mr. HAIDER (Iraq) spoke concerning the United States proposal on quantitative restrictions. The United States delegation had felt that if quantitative restrictions were retained in the Charter it would be difficult for the United States to obtain the approval of Congress. He wished to point out that other countries would encounter similar difficulty in obtaining ratification by their congresses or parliaments. Iraq wished to retain quantitative restrictions but Iraq was broadminded enough to consider counter proposals to its amendments. Conciliation had to be bilateral, and if each country would move a little bit from its fixed position, a crisis could be averted.

Mr. KARMARKER (India) felt that the reopening of certain amendments would upset the balance of the Charter. India would co-operate on the amendments concerning quantitative restrictions.

Mr. FERREIRA-BRAGA (Brazil) felt that the Chapter on Economic Development added to the Chapter on Commercial Policy made the Charter more adaptable and he hoped the Charter could be made acceptable to everybody and all the difficulties solved. The achievement concerning equal votes had increased the Members confidence. He seconded the Canadian proposal to continue work on the less controversial questions in order to avert a deadlock.

The CHAIRMAN in summarizing the discussion, said that the main issue concerned Article 20 and Economic Development. The United States would not have been able to accept the Charter if the unrestricted use of quantitative restrictions were to be allowed while other countries felt the need for their use. Article 13 recognized the legitimate use of quantitative restrictions in economic development but their use depended upon prior approval of the Organization. Concerning the proposal of El Salvador, seconded by Bolivia and Venezuela, the sub-committees which would be appointed by the Committees concerned to deal with the matter would contain adequate representation of

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interested countries and he could not see the usefulness of a special ad hoc committee. He suggested that at about 15 January 1948, the Conference review its achievements and unresolved issues of principle.

The meeting rose at 6.40 p.m.
