

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

PREPARATORY COMMITTEE

of the

INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT,

Verbatim Report

of the

THIRD PLENARY MEETING

held at

Church House, Westminster, S.W.1.

on

Thursday, 17th October, 1946.

at 3.0 p.m.

Chairman: M.M. SUTANS (Belgium).

(From the shorthand notes of
W.B. GURNEY, SONS & FURNELL,
58, Victoria Street,
Westminster, London, S.W.1)

THE CHAIRMAN: Gentlemen, the meeting is open. I call upon the Delegate of China.

MR WUNSZ KING (China): We are assembled here today charged with the supremely important task of drawing up an international code of commercial relations between the nations, with twin objects in view: the attainment of an expanding world economy and the realization of a stable level of full employment. To this end, we are also charged with the task of preparing a charter for an international trade organization which will add another important link in the whole set up of international mechanism designed to promote and co-ordinate all phases of economic activities, thereby enabling us to fulfil the solemn pledges we have made during the war.

As we look beyond this conference room, we see everywhere serious economic dislocation and maladjustment due to the war - in some countries cities still in ruins; industry and agriculture still crippled; transport still in chaos; and in many others financial and monetary conditions far from being satisfactory; normal demands shifted; trends of trade altered; and economic structure permanently changed. In spite of the heroic efforts of individual countries to rebuild anew their ruined economy, or to reconvert their war production to peace-time goods, every country is still beset with difficulties and bottlenecks which no one country can surmount individually without concerted action on an international basis. This is a challenge to the statesmen of today, who are called upon to construct a new world economic system.

We all remember that similar attempts to restore world economic life were made, though belatedly and spasmodically, after the first world war. The recovery was slow and unstable. It soon relapsed, after a short spell of boom, with disastrous consequences with which we are all familiar. In the early '30's, when the world

was swept by waves of depression, every country, either voluntarily or involuntarily, had to adopt a policy of "sauve qui peut". In desperation, everyone tried vainly to erect breakwaters against the onset of the depression and to break away from the traditional anchorage on which the system of international trade had been built since the early days of the last century. Upon the wreckage of a free and multilateral exchange of goods, everyone sought to take refuge in the formation of exclusive trading areas, or autarchy, which sowed the seeds of economic rivalry, and, in a large measure, precipitated the second world war.

We now set ourselves to ensure that this post-war world should enjoy the fruits of our victory and should not suffer again the malaise of poverty among plenty. We seek to expand and not to restrict the tremendous power we possess to produce goods, the consumption of which by all peoples is the material foundation of prosperity.

I am happy to say that our labours augur well, because, firstly, whereas the belated and spasmodic attempts made after 1918 all looked to the past, in the hope that the old system would work in a changed world, the plans which we have formulated, and are formulating, will reflect the needs of the future; secondly, the statesmen of yesterday endeavoured to uphold the objectives of the economic policy before they were agreed on how these objectives might best be achieved, while we today have not only dedicated ourselves to the high ideals and common aims of full employment, but we have also agreed on the broad outline of ways and means to achieve our common objectives; and, lastly, after the first world war, there was no concerted plan for reviving world economic activity as a whole, but today there is an integral plan for setting up all the international machinery necessary for dealing with the problems of post-war world economy.

From the experience we have gained in the past, it is clear to us that no individual efforts, however well conceived and vigorously prosecuted, can inoculate a national economy against the contagion of world depression. It is equally obvious that no international action can be effective unless it is implemented by the individual countries concerned. To secure the support of individual countries for such action, it is vitally important that consideration must be given to the interests of both consumers and producers, and account must be taken of the varying degrees of economic development in different countries and the special factors which determine the external economy of individual countries with the rest of the world.

The Chinese Government attaches great importance to the proposals which are now before us, the more so as special attention will, as we understand it, be given to the conditions prevailing in those countries whose industry is still in its early stages of development, as well as to the abnormal post-war situation in the national economy of those countries which suffered from devastation and dislocation due to the war. I should like to express my Government's appreciation of the initiative taken by the Government of the United States of America. The Chinese Delegation is prepared to take the suggested Charter as the basis for our discussion.

The reduction of tariffs and the elimination of all trade barriers should be made on a balanced and equitable basis, having due regard to the progress of economic recovery from war devastation and the long-term policy of creating a balanced internal economy. Within the general framework of limitations on the grant of subsidies, allowance should be made for special difficulties arising out of disparity between internal and external price structure and for the time necessary to make the necessary adjustments. It is also important that the principle

of such limitations should equally apply to manufactured goods. In the consideration of special problems inherent in the marketing of primary commodities, prompt action is essential for the maintenance of an ordered and stable production. In this connection, I wish to add that we heartily welcome positive and concrete suggestions for the purpose of achieving the early industrialization of these relatively undeveloped countries, and that, at the same time, we also feel impressed by the statement made by a number of delegates that some reasonable protection is a legitimate instrument of development.

Although our task is a preparatory one, and on a technical level, whether or not a solid foundation will be laid for the expansion of world trade and the maintenance of full employment will largely depend on what we can accomplish by our deliberations in the field of commercial policies, which, in turn, will be shaped in the light of a general economic policy in regard to co-ordination of plans for reconstruction and foreign investment.

I feel confident that, where the statesmen of yesterday failed, we will succeed, because not only have we pledged ourselves to the principles of international co-operation in reviving multilateral trade, as well as other economic activities, but we have also the support of a growing body of opinion that the primary objective of production is to make available to all peoples the things they require.

In conclusion, gentlemen, I wish to assure you of the sincere co-operation on the part of the Chinese delegation to make this Conference a success.

(Applause)

THE CHAIRMAN: I thank the Chinese Delegate for his statement, and I call upon the Delegate of Cuba.

H.E. MR. ALBERTO INOCENTE ALVAREZ (speaking in Spanish - translated):- Cuba, being a country vitally interested in the existence of a wide, vigorous and healthy international commerce, desires, in the first instance, to express its fullest sympathy with the proposals in view to create an international commercial organisation governed by regulations allowing for varying positions and economic requirements of the various countries of the world.

Cuba can state at this meeting with satisfaction that her previous history shows eloquently that in the conduct of her external political commerce she has always been consistently on the side of a liberal and equitable treatment in relationships with other States. She can show, in support of this contention, that her customs duties are amongst the lowest in the world; there is practically no restriction on the amount of her imports, subsidies, exchange control and other regulations which hamper the free exchange of international goods.

Finally, I think it relevant to say that for nearly half a century the commercial relations of our country have been influenced in no small degree by the existence of a special regime of commerce, her chief market being determined by powerful geographical, economic and historical circumstances.

By reason of these characteristics of her internal economic life, our country views with sympathy any efforts that may be made to facilitate and expand external trade. Repeated experience has, however, shown her that the expansion of international commercial exchange, although it represents the basis of her economic position, is not adequate to satisfy her requirements towards the obtaining of full and stable employment and a substantial and permanent increase in national income. She considers it is necessary to arrive at the full employment of her agricultural resources and the substantial and progressive development of her internal supplies.

She further considers that the regime of her commercial relations with her chief and nearest neighbour, although not necessarily unchangeable, has for nearly half a century represented the basis on which her present economic

structure has been built. For this reason she considers it essential that any change in or abandonment of such relationships should be accompanied by reasonable precautions, so that any system which takes its place should be in a position to render possible the attainment of the aims contemplated in the proposed Charter through effective measures taken to this end.

In order that the new commercial regime that we are now trying to set up may be in a position to meet the needs and hopes of my country, it is essential that the Charter which is submitted for our discussion shall be so modified that the achievement of these ends may be facilitated, not only for those countries who possess an economic structure and are already highly developed, but also for others like ourselves faced with the urgent necessity of setting on foot their internal industrial developments and of obtaining for the people a higher standard of life and employment.

Without pretending to enter at this moment into detailed consideration of the modifications necessary for reaching the goals already referred to, we should like to set out briefly the general principles which should be introduced into the Charter, so that it meets the requirements and aspirations of other countries in a similar position to ourselves.

These principles are as follows.

Firstly, the achievement of complete employment is not sufficient to increase the purchasing power of countries. It is necessary at the same time to set up a wage system, working conditions and social benefits which will allow the working classes to enjoy an adequate standard of living, raising as far as possible its level of life and purchasing power.

Secondly, in countries which are at the outset of their industrial development or are single commodity producers, it is essential, in order to arrive at complete employment, that different varieties of agricultural and industrial employment be envisaged, for which end adequate methods of protection must be introduced for the creation and development of agricultural and industrial undertakings.

These two first points are consistent with the position which has repeatedly been taken up by Cuba in international conferences, when she was represented, such as, amongst others, those of Hot Springs, Chapultepec and Caracas.

Thirdly, with regard to the system of preferential tariffs which is in force in our country, we are of opinion that its suppression must be made conditional on the following:

(a) That its suppression should not be merely the automatic consequence of putting into operation the terms of the Charter. A prior agreement between the countries maintaining such should be necessary, or alternatively the exercise by any one of them of its right to bring it to an end; and

(b) That in order to attain and enjoy tariffs analogous to the preferential ones Member States must show that they have a monetary system and real wage scales together with working conditions and social protection for the workmen similar to those possessed by countries which enjoy such preference.

Fourthly, subsidies should be considered and treated as though they were tariffs in respect of all the aims and objects of the Charter.

Fifthly, the regulation laid down in the Charter for the operation of inter-governmental conventions on primary commodities should be supplemented by the introduction of the following principles:

(a) The representative period to be taken as a basis for the fixing of quotas should be that period covering the years during which imports were not restricted by quantitative measures, by high protective tariffs or other trade barriers.

(b) A reasonable and just price level must be in operation, proportionate to those countries which are in a position to maintain efficient production by imports allowing the upkeep of the purchasing power of its people, as importers and consumers, to a level sufficient to maintain a worthy standard of living. This will be achieved primarily on a basis of working conditions giving the working people freedom from economic want and provide agriculture with adequate returns to meet its requirements and maintain an increasing rhythm of production. This price level should, however, render it possible that consumer countries obtain the products that they require to import at a reasonable cost and in regular and stable conditions. By effective production is meant not that which reduces prices through the exploitation of the working man and the maintenance of a low level of life, but one which is achieved in a natural way on a basis of adequate pay, so that the working man can lead a worthy

life through good technical, agricultural and industrial processes.

(c) That the Councils which are to be set up for the administration of each international convention should come into being independently of the International Commercial Organisation after the said Organisation has recommended the ratification of the convention under discussion, without prejudice to similar Councils maintaining close relationships both advisory and consultative with the Organisation. Similarly the voting system adopted by the Councils should lead to a just balance between the interests of the producing and consuming countries.

Mr. COLBAY: I thank the Delegate of Cuba, and call upon the Norwegian Delegate.

H.E. M. ERIK COLBAY (Norway): Mr President, hardly any country is more interested in the freedom of international trade than Norway. Our main industries are based upon the export trade and could not exist without it. Our import trade is vital in order to cover the needs of our population. Although outside the scope of our present task, but in order to give a full picture, we wish also to mention that the freedom of international shipping is a necessary condition for our whole economic life. This situation makes it obvious that Norway must welcome all attempts to liberate the international economic life from as many restrictive measures as possible. Consequently, Norway will cooperate whole-heartedly in the task before our Committee. We understand that - as it was I believe pointed out in the introductory speech of the President of the Board of Trade - we cannot all of us obtain everything we want without on our side making concessions. But we hope that solutions may be found whereby we shall all receive reasonable satisfaction for what we consider to be our legitimate expectations.

We shall not to-day enter into any details, but there are certain guiding principles which we find it right to submit at once.

Traditionally Norway adheres to the Most Favoured Nations clause and we consider that it should be one of the main duties of our Committee to work out such proposals as would establish the Most Favoured Nations clause as a guiding principle in all international trade. The Most Favoured Nations clause should be applied unconditionally and not only in tariff questions, but to the whole network of rules governing international trade.

Between the two great wars the quota system was given very wide application. We consider that it would be in the interest of all of us to get away from this system. We realise that both with regard to the application of the Most Favoured Nations clause and with regard to the quota system certain particular situations may require special consideration. But such exceptional measures as might be decided upon should not be allowed to go further than very strictly necessary.

The Norwegian Delegation are of opinion that the establishment of an unconditional and generally applicable Most Favoured Nations clause combined with the abolition of a wide-spread quota system should lead to the re-establishment of multilateral trade which we consider an essential condition for development of the economic life of all countries. We believe, however, that these principles for international trade cannot be maintained unless the countries of the world, and perhaps particularly the highly industrialised countries, do in fact pursue an economic policy which makes it possible to achieve and maintain high and stable levels of employment. All countries should endeavour to achieve these aims without creating unemployment in other countries. Only in this way will effective demand for goods and services render possible such exchange of goods and services, for instance, shipping services, which would be to the advantage of all and to the detriment of none.

Once more, Mr President, the Norwegian Delegation promises to do its best to further the purposes of our Committee. We now enter upon the detailed discussions of the manifold aspects of the problems before us, and we would like to express our appreciation of the preparatory work done by the United States in the White Paper submitted to us, containing a draft of a full Charter of an International Trade and Employment Organisation. We feel that the paper will be of great help to the Committee in its coming work. There are points in it to which we agree; others of which we need further explanation; and perhaps some on which we entertain doubts. But the paper as a whole will certainly prove a valuable contribution to our documentation.

THE CHAIRMAN: I thank Ambassador Colban for his statement, and I call upon the Delegate of France.

MR ALPHAND (France):

The French Delegation wishes in the first place to welcome the initiative taken by the United States Government, whose proposals will be used as a basis for the work of this Preparatory Committee. The suggestions which are being proposed to us appear as the culmination of a long series of efforts which began long before the war in America itself and for which I think the first man responsible was Mr Cordell Hull. We find the forerunners of the White Book as well in the commercial agreements which the United States have concluded in the last fifteen years with most nations of the world, as in the economic provisions of the Atlantic Charter and its famous Article VII in the Lend-Lease Agreement, for which the great genius of President Roosevelt was responsible -- he who, during the climax of this war, already thought of such solution to the most difficult problems of these times. Thus, in its inspiration if not in its implementation the policy followed in this sphere by the American Government is ever a great one. If it is examined, one can say that it pursued its vagaries in the most diabolical manner. As far as we are concerned, we do not think that is the case. We think that the principal buttresses on which this monument will be erected are an increase in the standard of living and full employment, in the lowering of customs barriers, multi-lateral exchanges, and the principles of non-discrimination which are necessary both for security and world prosperity. It is true -- and the honourable Delegate for the United States Mr Wilcox observed this morning himself, -- that the United States, while their preaching was excellent, have not ever set up a good example. It is true that the maintenance of a tariff, often of a prohibitive nature, at the American frontiers has contributed for a great part, after the last war, to the contagion of prices which has affected all nations, including the United States

herself. The proposals with which we are faced today, the splendid educative effort undertaken by the American Administration with the American people, the feelings of Congress, enable us to hope that this time the United States realise that their immediate economic interests, and their political interests in a more remote manner, demand their active participation through concrete acts in the development of international commerce. But I am not one of those who imagines that only selfish motives are at the root of the suggestions which are to be presented to us; and that it is only to guarantee a better position to her tremendous capacity for expansion that America proposes to the world a system which may put in a position of inferiority a certain number of countries in any international competition. Far to the contrary, I admire the noble views of the authors of this document, and I think that Mr Wilson spoke with utter sincerity when he said that his country is trying to work out a charter and set up an organisation which will apply with equal justice to all nations of the world. If that is really the case, may I briefly say what, in my opinion, are the necessary conditions for the discharge of this task which is confronting us.

In an official document, the Declaration of the 3th May 1946, signed by Mr Byrnes and Mr Leon Blum, the Government of the French Republic and the Government of the United States recorded the fact that they were in complete agreement as to the general principles which they wish to follow, with a view to suppressing the hindrances to international trade, and with a view to the expansion of exchanges which are indispensable to the prosperity of the world and to the setting up of a lasting peace.

These principles are exactly those which are stated in the proposals submitted to our Committee. The French Constituent

Assembly has signed the agreement, just concluded, and this attitude corresponds both to the political ideal and to the interests of my country. Just as in the sphere of internal policy no-one would think of disputing the fact that our ideal is that of democracy, so in foreign policy we base our diplomacy on the principles of collective security and international organisation, the principles with which we are attached by all our French traditions as closely and as actively as possible.

Moreover, the French Government and the French people do know that France, if she wants to live and expand her prosperity and develop her needs, must be in a position to rely on international commerce. Economic isolationism is a luxury which we cannot afford, and when we declare our support for the development of exchanges between peoples, we do not express a personal choice; we merely record a self-evident truth, a fact which we must face just as all the Governments of France will have to face them, whatever their political shade or their leanings may be. France depends on foreign sources for over one-third of her coal, for the whole of the oil she needs, for 90 per cent of non-ferrous metals, for 96 per cent of cotton, for 83 per cent of wool, for 67 per cent of fats, and for 54 per cent of wood pulp consumed under normal conditions by her industries; but she does not possess the coal that would enable her -- as was the case with Hitler and past Germany -- to replace the raw-materials by synthetic products. She must therefore buy abroad, and for that she must sell abroad. This necessity for exports is more imperative to us than it was before the war, given the fact that other sources of foreign income are in process of disappearing owing to progressive liquidation of French capital

invested abroad. As the goods which France needs are in most cases produced by countries to which she does not export in a sufficient quantity, France must normally prefer a system of exchanges and multilateral payments to the method of bilateral compensation. In order to sell the products, she tries to market them everywhere, and consequently endeavours to alleviate the present hindrances to commerce.

Lastly, we do know that economic discrimination between nations would lead to the formation of hostile blocs and to the setting up of different price levels which would be different according to blocs, which would be contrary both to our political ideal and to our economic principles.

Having made this official statement, I now want to call the attention of the Committee to one point, which has of course been widely expressed in the work of American experts, and which is as follows: An international organisation of economic relations implies, amongst all the nations which participate, a relative equivalence of their several productive conditions. As Mr Leon Blum said last March to Mr Clayton, this equivalent is the basic condition of equality. Now, this equivalent does not exist today between nations of the world -- far from it; and may I here mention the case of my country, which is akin to that of many nations in Europe. France did not take part with all her forces, with all her strength, in the war, except at the beginning and at the end; but she suffered from the war more than if she had gone through it from beginning to end. I am not thinking only of looting and systematic devastation carried on by the enemy. I am not thinking only of material destruction which our country has known at the hand of this

enemy, and, as we have understood, even at the hand of our friends. I am also thinking of the general wear and tear on our producing machinery which for five years has never been maintained or renewed, and which has now fallen gradually into a wretched state of depletion. May I here dwell for a moment on this point.

There is a kind of counterpart for war, that is the discipline of work which it imposes on a whole people and the concentration of effort towards scientific and technical progress, which has today become one of the essential conditions of victory. In the United States one must say, in Canada, and in many other countries of the Western Hemisphere, the war has considerably increased productive capacity, but the weight of taxation, in spite of the huge debts incurred, in spite of the vast generosity which was expressed in the shape of help to other Allies -- in spite of all this, these countries have increased their national wealth and their national income. In France, on the contrary, the war has resulted in impoverishment and loss of substance. Everything was depreciated -- wealth, income, productive capacity and (and this is an essential point often lost sight of) these blows have fallen upon a nation which had not yet recovered from her victory in the first world war -- a victory in which she had given an effort probably far beyond her strength, and which had resulted to her in a loss of a great part of her foreign assets, in devaluation of her currency, that is to say the consequence of the reconstruction of devastated areas, for which she had to pay, the maintenance and increase of her military expenses as the spirit of revenge was revived in Nazi Germany.

Consequently, it is a nation twice ruined in the course of these 30 years of war which had to meet not only the expenses of a material reconstruction, but also those which she could not avoid of her re-equipment and the modernisation of her productive machinery. France realises fully the task that lies before her. She knows that she needs several years, hard difficult years, to carry out an undertaking of this scope. She is now preparing her plan for reconstruction and modernisation which within a few weeks will be submitted to her Government. Thus, some may have said that this old country (which she is) suffered to a large extent the characteristics of a new country. Speaking on her behalf and on the behalf of the overseas territories which are associated with her, I must say that we feel in the greatest sympathy with the thesis which is presented here by other nations whose young industry wishes to be re-equipped before competing successfully with the great nations on the world market. Who, therefore, would question that, with a view to realising the relative equivalence in the condition of production which I referred to a little while ago, we must envisage exceptional measures and that an intermediary period is necessary to ensure the progressive recovery and the balance of payments and the implementation of measures which will enable French agriculture and industry to compete fearlessly with the outside world. This intermediary period is envisaged, gentlemen, in the proposals which are submitted to us. We may, however, have to present a few remarks and amendments on the wording which has been adopted by the American experts. Throughout this initial period, it is not possible for the French Government to accept the abolishment of a quantitative control of imports -- a control which is indispensable to ensure the equilibrium of the balance of payments, despite the loans granted. May I here recall the Franco-American Declaration of the 26th May, 1946, to which I have referred already, which sums up perfectly the needs of France as they have been recognised by our American friends: "The French Government", it says, "declares that they must exert a control of imports in the form of an import programme, but this control will be

exerted only as long as is necessary to safeguard the equilibrium of the balance of payments and ensure the methodical realisation of the plan of reconstruction and modernisation. The granting by the French Government of import licences within the limits of this programme will be carried out without discrimination between the foreign sources of supplies as soon as France will possess or will be in a position to acquire an amount of free currency that will no longer compel her to buy only within the frame of bilateral agreements on the commercial and financial plane". This text seems perfectly clear to me. We only ask that the future wording of the Charter take into account the necessary measures which were imposed upon my country owing to the consequences of two wars and also owing to her geographical position, -- a war in which my country has suffered no doubt more than any other here represented. We believe that during this period the most favoured nations must both facilitate the exports of countries which are in a situation like ourselves, and also accept a limit to their imports. We hope that this will be one of the capital advantages of the future Charter.

I should like, gentlemen, in closing to say how much France wishes to see that the organisation which we are planning here extends to the rest of the world. We cannot conceive of any future security, neither can we conceive of a prosperity for each of us without the participation of all the great economic powers: it seems to us that such a goal can be reached. There does not exist, in our opinion, any necessary connection between the form of the productive regime and the internal exchanges in one nation, on the one hand, and on her foreign economic policy, on the other. The United States may very well continue to follow the principle, the more orthodox principle, of private initiative. France and other European countries may turn towards planned economy. The USSR may uphold and maintain the Marxist ideals of collectivism without our having to refuse to be in favour of a policy of international organisation based on liberty and equality. If France considers that she cannot without serious danger be isolated from the rest of the world, she also believes that the peace and welfare of the peoples of the world require that the world

should be one -- situated as she is between East and West -- hostile to blocs; she cannot but agree to any attempt which, on the universal plane, tends to create a real solidarity between nations.

THE CHAIRMAN: I thank M. Alphand for his statement, and I call upon the chief Delegate for India.

MR R.K. NEHRU, I.C.S. (India): Yesterday, Sir, in our Executive Session, I made a brief statement on the Indian attitude to the proposals for the expansion of trade and employment. On the more general aspects of this question (and I presume at this stage we can only make a very general statement), I have very little further to say. Since we are meeting in a Plenary Session, however -- and it is only right that the larger public whose interests we claim to represent should know how our minds are working -- I would like, with your permission, Sir, to repeat some of the points I made yesterday. I must ask my fellow Delegates to forgive me for presenting the same ideas again, so soon after yesterday's proceedings, but I have really not had the time to clothe them in a new language or to attempt any other elaboration of the main theme, and I can only hope, therefore, that they will bear with me patiently for a very few minutes. The American proposals, Sir, have served a useful purpose in focussing attention on major problems of trade and tariff policy. Our own approach to this problem is very different, and, as you will see from the document which we have placed before the Committee, on many points the disagreement between our experts and the American experts is fundamental. This has not, however, prevented us from carrying on discussions in the friendliest spirit with the Department of State Mission which came to Delhi only a few weeks ago to ascertain our views on the proposal. We feel, Sir, that the American experts have made a valuable contribution to the study of this question of trade and employment which affects the welfare and happiness of the common man in all countries, and we would like them to know that, so far as India is concerned, the importance of their work in drawing attention to some of these problems is fully recognised.

We have listened with great interest to the observations made by the leaders of the various Delegations. The leader of the American Delegation

referred to the need for cultivating a spirit of co-operation in matters affecting trade and employment. On this point, Sir, I can only repeat what I said yesterday: that the Indian people are second to none in their desire to promote co-operation between the nations in every sphere of activity. We are firmly convinced that the true interest of our country, as indeed of every other country, lies in the furtherance of international co-operation, and we are anxious that no effort should be spared in making a success of the new Institutions which are gradually being set up for this purpose. Towards the United Nations Organisation in particular, the attitude of our Government has been recently defined as that of whole-hearted co-operation and unreserved adherence, both in spirit and in letter, to the provisions of the Charter. It is for this reason, Sir, that we have welcomed the Council's initiative in setting up this Committee, and have decided to accept the proposals as a convenient basis for discussion.

There is, however, the important point to which I referred yesterday, namely, that this Committee should not be left in any doubt as to what exactly in the Indian view is implied by the idea of co-operation. We feel, Sir, that it would be helpful, from the point of view of the further discussions which are to take place in this Committee, if our views on the subject were made known. The kind of co-operation to which we in India attach importance is a relationship based on respect for the principle of equal rights and self-determination of peoples. I might add, Sir, that this principle is clearly laid down in the United Nations Charter and, so long as India is a member of the United Nations Organisation, it will be the endeavour of our representatives to see that this principle does not remain a pious aspiration, but is actually applied in practice. In the economic sphere -- or, more specifically, the sphere of trade and employment with which we are concerned, this would mean that no scheme of co-operation which fails to meet the essential requirements of the less developed nations (whose interests, I might add, are the interests of perhaps more than three-quarters of the world's population) or which shows undue bias in favour

of a particular country or group of countries, is likely to be accepted by India as a scheme of genuine and fruitful co-operation. We are glad to see that this Committee has been advised, in drafting the Agenda, to take into account the special conditions prevailing in primary producing countries and countries which are industrially backward. But we are not sure that the needs of such countries, especially in the matter of a suitable commercial policy, are fully understood, and as our own country falls in the group of the less developed economies, we feel that our position should be clearly explained. The problem which faces our country, as I pointed out yesterday, is not an exceptional one, and the views we are putting forward are no doubt shared by other nations in a similar economic position. I have in mind particularly the nations of Asia and Africa, many of which are India's immediate neighbours in whose prosperity and welfare we are deeply interested. In other parts of the world also there are countries in the same position, which are faced with the same problems and confronted by the same difficulties. Many of these countries are not represented here today, but I am sure that my fellow delegates will agree with me that their interests should not be overlooked. So far as India is concerned, the Committee will be interested to know that a conference of unofficial representatives of the various nations of Asia is expected to meet in Delhi early next year, and among the problems of common interest to all Asians ~~which~~ which will be discussed at this conference will be economic and trade problems. Although this conference has been sponsored by an unofficial agency, I have not the slightest doubt personally that the views expressed by our fellow Asians will have a considerable influence on the Government of India's future policy. I have mentioned this, Sir, in order to emphasise that, although our primary concern is naturally the welfare of our own country, we do not wish to take a narrow view or to seek any special advantage which is exclusively in our own interest. Our objective is to bring into existence a co-operative system which is suited to the requirements of all countries which are not fully developed, without affecting the genuine interests of the highly industrialised economies. It is because of our conviction that the interests of the two groups are not irreconcilable that we have come to this meeting determined to play a constructive part in devising measures for the promotion of genuine international co-operation.

If I may revert to our own problem, Sir, the position in India is that, in spite of our large resources, both in men and in material and the traditional skill and other qualities of our people, the purchasing power and standard of living of the average Indian remains among the lowest in the world. Efforts have been made in the past, from time to time, to deal with this problem, but there has been no fundamental or far-reaching change in this respect. It is to this problem, Sir, of the removal of poverty and other evils which have resulted in social stagnation that our Government and people are now addressing themselves. We do not consider this to be an insoluble problem, but it is our conviction, based on long experience, that if substantial and rapid progress is to be achieved, an intensive and planned development of the Indian economy is essential. Unless the country's resources are developed to the maximum extent there is little hope of our being able to tackle the problem successfully, for the needs of our vast population, which is still expanding, grow from day to day. We must increase production and achieve a better balance between industry and agriculture, which means that we must adopt a policy of industrialisation and the modernisation of our methods of production. There are other considerations also which are vitally important from our point of view: first, economic progress must be rapid, for the problems which face us in India are of an urgent character; secondly, the fruits of economic progress must be shared equitably among the people. We attach the greatest importance to this objective, for it is not for the sake of enriching a few that we are adopting these measures of industrial development, but for raising the standard of living and the real income of the common man; the third point is that we consider it vitally important that our resources, which are not unlimited, should be used in the best interests of the community

as a whole. From every point of view, we consider that it is essential that the nation's economic development should not be left wholly to the operations of private enterprise and unchecked competition, whether internal or external, as seems to be implied by some of these proposals, but that a real effort should be made by the State to plan or to regulate or to direct economic activity in the larger interests of the community.

All this, Sir, has a definite bearing on our attitude to the American proposals. These proposals lay down certain objectives with regard to the maintenance of employment at high and stable levels. This is the central part of the scheme, for in the absence of agreement on an employment policy, there appears to be little chance of an acceptable trade convention being worked out. We do not unfortunately find in this statement of objectives any real understanding of the problem which confronts the less developed countries. Without going into much detail, I would point out that any trade convention which fails to recognize the effective development of a country's resources, and the expansion of the real income of the people, as one of its primary objectives, cannot inspire much enthusiasm in a country which is still not fully developed. Our problem, Sir, is not primarily one of the maintenance of full employment, but of a change in the character of employment, and of a greater diversification of employment, and we consider it essential that the full development of a country's resources with a view to raising standards of living and real income should be laid down as one of the primary objectives of the International Trade Organization. Furthermore, as I pointed out yesterday, we feel that the Organisation should be specifically charged with the duty of assisting the governments concerned in the attainment of this objective by all suitable and effective

measures, including measures designed to facilitate access to capital and other goods needed for the full development of the national economy.

Our whole attitude to these proposals for the removal of trade restrictions and trade barriers to which the principal industrial countries lay so much emphasis, is based on our conception of a sound employment or development policy. If our economic objectives are sound -- and there seems to be general agreement that the rapid economic development of all countries is a desirable objective -- then we must retain the power to regulate our trade relations with other countries by methods which are both effective and economical from our own point of view, and which will yield maximum results at minimum cost to all the interests concerned. Among these interests in any scheme of international co-operation which is accepted by us, we would give a high place to other members of the Organisation. Our whole approach to this question of trade regulation is a practical approach and we feel that it is wrong to take a doctrinaire view of the soundness or otherwise of specific trade measures. Trade from our point of view (and I am glad, Sir, that this point is recognized by the American Representative and other Delegates) is not an end in itself, but a means -- and a very subsidiary means -- of giving effect to our larger economic plans. Foreign trade, I might add, is only a small fraction of our total trade, and our primary objective is the development of our vast internal market. Nevertheless, since our plans are of an expansionist character, our trade with other countries must also expand, but it will only expand if we take a rational view of the whole problem of trade regulation, and instead of rejecting certain methods of regulation on grounds which are not applicable to Indian conditions, make full and effective use of them for the purpose of building up our economy.

THE CHAIRMAN (Speaking in French: interpretation): I thank the delegate of India, and I call upon the first delegate of Lebanon.

MR. GEORGE HAKIM (Lebanon): Mr. Chairman, this Preparatory Committee is charged with a most important task. This task is nothing less than to lay down the principles of policy to be followed by all nations in their economic relations with one another. Such an undertaking is of the greatest significance for the future prosperity and peace of the world. By its success the efficacy of international co-operation in economic matters will be judged.

It will also be the task of this Committee to draw up the Charter of the organization which is to implement these principles of international economic policy. In our deliberations, therefore, we should never lose sight of the basic principles which guide all international economic co-operation as they were laid down in the Charter of the United Nations. These guiding principles are stated in the Preamble of the Charter and in Article 55, dealing with economic and social co-operation. The Preamble states:-

"The peoples of the United Nations (are) determined... to promote social progress and better standards of life in larger freedom AND FOR THESE ENDS to employ international machinery for the promotion of the economic and social advancement of all peoples."

Article 55 reads:-

"With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote:-

(a) Higher standards of living, full employment, and conditions of economic and social progress and development;

(b) solutions of international economic, social, health and related problems; and international cultural and educational co-operation; and

(c) universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion."

These basic guiding principles lay significant emphasis on higher standards of living and on conditions of economic progress. In this emphasis special attention is paid to the economic development of the less advanced countries. Economic progress is to be promoted for all peoples. The United Nations have a special responsibility for those of their members who are still living under backward economic conditions. In order to achieve this aim of raising the standards of life of all the peoples of the world, it is not enough to provide for the full employment of men and of material resources. Such full employment is certainly necessary to maintain a high standard of life in the advanced countries, but full employment in the less developed countries will not in itself raise the standard of life of their populations.

What is more important than full employment is the achievement of the most productive employment of men and resources. It is through the best and most productive utilisation of economic resources that we can produce the greatest quantity of goods for the satisfaction of the needs of the populations. In fact, this is the meaning and significance of economy in the utilisation of resources. Economy means the utilisation of resources in such a way as to produce the maximum possible quantity of goods for the satisfaction of human wants. Full employment will not in itself necessarily mean the most productive employment. The experience of the war, as well as certain practices developed before the war, shows only too clearly that we can have full employment without necessarily satisfying the needs of.

consumers. In the last analysis, therefore, the problem of productive employment is more important than the problem of full employment.

In the less developed countries it can hardly be claimed that the most productive employment of men and material resources is achieved. The methods of production in these countries are still generally primitive and not conducive to full productivity. For this reason, in these countries the standard of living of the population is still very low. Furthermore, the structure of production in many areas is such that their resources are not fully exploited. Experience shows that agriculture alone will not lead to the most productive use of human and material resources. Agricultural production has not generally been able to produce by itself a high standard of living for peoples who engage in it. Manufacture and industry is necessary if we are to raise the standard of life of the less developed territories.

It is not an accident that the standard of living is higher where industrialisation is greater, nor is it an accident that, as history shows, standards of living have only risen considerably since the industrial revolution, through mechanical and technical progress. If the United Nations, therefore, are to achieve the aim of raising the standard of life of the people of less developed countries, they should encourage the industrialisation of these countries to the extent that their human and material resources allow. It may be said here that the development of industry in the less advanced countries will not only benefit the peoples of these countries, but will also further the development of world economy and the growth of production in the more advanced countries.

It is always worth while to repeat that the world is one. Poverty anywhere is a menace to prosperity everywhere. Fruitful economic co-operation can only be attained through the development of each for the benefit of all. In order to achieve industrialisation in the less advanced countries we must recognise that tariff protection is, in the words of the Australian delegate, the legitimate instrument of national policy. It is true that we are all interested in the expansion of world trade, but there is no inherent inconsistency between the two objectives of the expansion of world trade and the industrialisation of less developed nations.

I submit, Sir, that tariff protection practised by the less developed nations for the purpose of their industrial development will not reduce the volume of world trade, for in so far as tariff protection will result in the growth of industry and the rise of the standard of living of the people it is bound to increase the international trade of the less developed countries. Not only will they be able to produce more for export, but also their effective demand for foreign goods will increase.

Furthermore, in so far as the population of these countries will grow with industrialisation, their participation in world trade will be greater. One might be inclined to think that tariff protection of industry would reduce international trade temporarily, but even that is not true. When protection is practised by the less developed countries, for these countries will need capital goods from the old industrialised nations and will find it necessary to increase their exports in order to obtain their imports of capital goods. The result will be an increase in their foreign trade, even while they are developing their industries by means of tariff protection.

Not only tariff protection, but also tariff preferences may be necessary for the development of industry in less advanced countries. In certain regions small nations may find it impossible to develop industries even with the aid of tariff protection. For the development of modern industry a large market is required, and many small nations do not have a sufficient population to provide such a large market. One method of securing this market would be for the small nations of a certain region whose economies are complementary to form Customs Unions among themselves, but is not the formation of a Customs Union a method of creating tariff preferences? It seems to us that the Customs Union is the extreme form of tariff preference.

Instead of removing all tariff barriers between themselves, a group of countries may perhaps decide to reduce tariffs between themselves to half their normal level, while maintaining the normal tariffs as against other more industrialised countries. If the object of such a system of tariff preference is to develop the industry of a group of less developed countries by providing a wider market for each other's products, no harm to world trade will result.

On the contrary, regional trade will develop and trade with other countries will, in the long run, be increased. If the system is rationally operated it will develop industry in the regions where it is applied and will ultimately lead to an increase in international trade as a result of the rise in the region of the standard of living of the people and their greater demands for the products of other regions.

We should, therefore, not limit ourselves to the maintenance of existing preferences, nor set an arbitrary

date after which no preferences will be allowed. It will be wiser to examine any proposed system of preferences on its own merits, so as to determine whether it is prejudicial, or, on the contrary, beneficial to world production and world trade.

In conclusion, Mr. Chairman, the Lebanese delegation stand for the policy of the fullest possible encouragement to be given to the less industrialised nations of the world. In this they also represent the general point of view of the other Arab countries with which they are bound by intimate political, economic and cultural ties. They also happen to be the only delegation from the whole region of the Middle East - a region which is still backward in its economic development. We feel that it is the duty of this Committee to study thoroughly all the measures that may be taken to encourage and promote the economic development of such less advanced countries. The aim we hope to achieve is ultimately the raising of the material and cultural standard of life of all peoples throughout the world, so that they may mutually benefit one another and live together in friendship, peace and prosperity.
(Applause).

THE CHAIRMAN (Speaking in French: interpretation): It is now too late to begin another statement, and we still have to hear statements made by the Netherlands, New Zealand, the Union of South Africa, and, last but not least, the United Kingdom. Tomorrow morning we shall meet at 10.30 sharp, and I ask all delegates to be here in time. I believe that this session will end about mid-day. The chiefs of delegations will then meet, after this plenary session, and meetings of the sub-committees are contemplated to take place in the afternoon.

Mr. Wyndham White wishes to say a few words.

THE EXECUTIVE SECRETARY (Mr. Wyndham White): I thought it might be helpful to delegates to have tonight an outline of the plans for the meetings of the Committees tomorrow afternoon. In order to meet the desire which has been expressed by several delegations that more than two of the Committees should not meet at the same time, I would like to suggest the following arrangements for the initial meetings of the Committees tomorrow afternoon:-

That Committee 1, the Committee on Employment, Economic Activity and Industrial Development, should meet at 2.30; that Committee 2, on General Commercial Policy, and Committee 4, on Intergovernmental Commodity Arrangements, should meet at 3.45; that Committee 3, on Restrictive Business Practices, and Committee 5, on Administration and Organization, should meet at 5 o'clock.

I expect that the meetings of these Committees tomorrow will be short and should not take longer than three-quarters of an hour at the outside. I think, therefore, that the spacing of the meetings which I have suggested will be adequate.

I would also add that the meeting of heads of delegations will not take place in this room, but in the General Committee Room, Room 143.

If these arrangements are satisfactory to delegates a notice giving details of the arrangements and the rooms in which meetings will be held will be circulated first thing tomorrow morning.

The meeting rose at 6 p.m.