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ECONOMIC AND SOCIAL COUNCIL.

PREPARATORY COMMITTEE
of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

Verbatim Report
of the
SECOND MEETING
of
JOINT COMMITTEE ON INDUSTRIAL DEVELOPMENT

held in
The Hoare Memorial Hall,
Church House, Westminster, S.W.1.

on
Saturday, 26th October, 1946.

at
11 a.m.

Chairman: Mr. H.S. Malik, C.I.E., O.B.E. (India).

(From the Shorthand Notes of
W.B. GURNEY, SONS & FUNNELL,
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Westminster, S.W.1.)

THE CHAIRMAN: The Session is open. Gentlemen, before we begin the work of this Joint Committee, there are one or two matters I would like to mention. My first pleasant duty is to introduce to you the Secretary of this Committee -- Mr. Dorfman, who is sitting on my right. Mr. Dorfman is in the secretariat of the Commission on Economic Development of the Economic and Employment Committee of the Social and Economic Council. I am sure his experience there will prove of very great assistance to the Committee in its deliberations. We have on my left Mr. Stols, who is the Secretary of Committee I, and next to him Mr. Hilgart, Secretary of Committee II, who have very kindly agreed jointly to take on the secretariat work of this Committee.

The interpreters have asked me to request you, if you kindly will, as it will help their work a great deal, to supply them with two copies of the written text in cases where members are speaking on a written text. I shall be grateful if you will kindly do that.

Gentlemen, this Committee was born out of the opinion expressed by several delegations that the subject of industrial development was so important that it merited separate consideration by one body rather than piecemeal consideration at the hands of various Committees. From the expressions of opinions already both at the Plenary Sessions and also at the meetings of the various Committees, I think it is obvious that on the main principle there is general agreement. As I think Mr. Clair Wilcox put it at the Plenary Session, there is on the main principle general agreement; but there will be sometimes quite serious differences of opinion as to the ways and means by which that principal object on which we are all agreed can be achieved. Perhaps it might clear our thoughts if we attempted to define to ourselves what exactly that main principle is. I for myself would put it something like this: I would say that the instruments and organisations that will finally emerge from the full Conference on Trade and Employment must be shaped in such a way as to provide

the machinery and the measures that are necessary to enable the less developed countries to achieve full economic development. In those parts of the world which are at present insufficiently developed the standards of living are so low, the real incomes of the peoples inhabiting those parts so small, that they are unable at present to play their full part, as they would like to, in the expansion of world trade and the maintenance of full employment. Until those areas, those countries and those peoples are helped to build up their standards of living, to increase their real incomes and to build up the purchasing power of their vast populations, they cannot play a full part. As I have said, those things must be provided both in the instruments and in the organisations that are set up finally as a result of the final Conference.

Now, as I have said, there are bound to be differences of opinion as to the ways and means of achieving that principle, and this is the proper forum for their expression. I hope we shall have as full a discussion as possible and frank and full statements from the different delegations; because only in that way, I feel, can we hope to achieve understanding of each other's difficulties and possibly finding one common road before we break up on which we can travel together to the same goal.

If I may in conclusion refer to the spirit of the whole thing, I would like to recall to you the way in which Dr. Coombs very happily put it. He looks upon all these problems as obligations on different countries to do their utmost to play a full part in world expansion of trade and employment: obligations on the highly industrialised countries to maintain full employment; obligations on the under-developed countries to develop their resources - both natural resources and human resources - to the fullest possible extent.

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If I may say so, I think that is the way in which we must approach this very great task. We have had the benefit of receiving documents from various delegations, which I am sure will be of the greatest assistance to the Committee in considering this question. There is the Australian document which you have all received; there are the proposals of the Brazilian delegation which also were received some time ago; and there are the proposals of the Indian delegation which also have been circulated, and I think that all these will provide a very suitable basis at any rate for the discussion which we might now start. I would also refer you, gentlemen, to the very valuable note that has been prepared by the Secretariat, which was circulated last night, and which gives a resume of the discussions on this subject that have taken place both in the full meetings and in the meetings of two of the committees.

I call upon the Delegate for the United Kingdom.

MR HELMORE (UK): Mr Chairman, the United Kingdom delegation are very grateful to you not only for the analysis you have just given us from the Chair on the work of this Committee, but also for the opportunity to develop a little the thoughts of one of the older industrialized countries on this subject. We thought that it might be of assistance to the Committee - and appropriate - that we should say something on this subject, particularly since in other meetings, as you have reminded us, in the plenary sessions, in the executive sessions and in the meetings of Committees I and II, which have already taken place, we have heard many speeches putting the point of view of what we have come to call the under-developed countries. We hope that if we analyse the way in which we look at this problem it may assist the Committee in further breaking down the two lines of thought which you have suggested to us from the Chair. I think I would be right in interpreting those two lines of thought as, first of all, a consideration of the objectives which we are all trying to reach, and, secondly, a consideration of the methods which are particularly suitable for furthering the objectives in this problem of industrial development in the under-developed countries; and, if I might begin, I would like to say a word

or two about the objectives. We think that it is possible to distinguish what I might call three aspects of the general objective: the first is the problem of raising standards of productivity; the second is under what conditions and for what purpose and in which countries is the problem of diversifying of economies an acute one; and the third is the more limited problem about which we have heard a great deal, but which requires to be considered in the light of the other two objectives - that of industrial development as opposed, perhaps, to the development of agricultural industries or service industries.

Now, on the first aspect of the objective, raising standards of productivity, we must all of us agree that it is a question of increasing efficiency of production and a question of technical progress in order to lead everyone in the world to a higher standard of life; and we certainly would not omit in defining a higher standard of life greater opportunities for leisure. But we do not think that this is a problem solely applicable to industry. To put the point very shortly, I think everyone would say that an increase in productivity per man or, more simply, an increase in efficiency, in agriculture in many countries would be of the most enormous benefit to the whole of the world; it would give the agriculturist himself a better life; it would enable him perhaps to have some leisure - though leisure is not popularly associated with any kind of agriculture; and by enabling him to increase his purchasing power it would contribute to the end we set out in our revised Agenda for the whole of the Preparatory Committee, raising demand throughout the world.

Then I turn to the second point, which is diversification. We must all recognize the danger to which the one-product economy is subject. If a country relies almost entirely in its economic life on the production and sale of one commodity it obviously is specially subject to the unforeseen fluctuations in demand for that product or to the whims of nature, especially if it is an agricultural product; and I think that it is a matter of concern to the whole world that countries

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should not, so far as it is possible to avoid it, be in that position, since, if they suffer severely, their demand drops and the effect is felt all over the world, not least by those whose task it is to supply them with the goods they do not make themselves. But we would not think that the problem of diversification applies simply to under-developed countries; it applies everywhere; it applies to my own country. We have had districts in this country which have in effect been like small countries relying almost entirely on the production of one product; and we have had to take special steps to see that those districts have their economies diversified. Again, it may be desirable, for social reasons, or for security reasons, that countries who, in a world of the complete and perfect application of the principles of Adam Smith, would devote themselves solely to industry, should have a reasonable measure of agricultural production. Again, I think, very broadly and roughly, that could be applied to the United Kingdom. We suggest that those whose legitimate aspiration it is to diversify their economies or to maintain a diverse economy should recognize their responsibilities to the rest of the world, in this sense, that they must apply their policy of diversification with due regard to the interests of others. There are words which occur in the United States draft Charter which help us a little I think in laying down a principle there. I will not quote the exact words, but in that part of the Charter which relates to inter-governmental commodity agreements, where the problem of the transfer from the less efficient to the more efficient producers is discussed, there are words which remind us that in the process of transfer the problem of the reaction on other countries must be remembered and that it is not reasonable to expect these transfers of economic activity to take place too quickly or without regard for the transitional unemployment that they may cause in other places.

Then, Mr Chairman, I come to the third aspect of our objectives and that is industrialization as opposed to the complete dependence, or nearly complete dependence, upon agriculture; and there we suggest that

it is most important in the interests of the country that is industrializing and in the interests of other countries that efficiency should be the prime criterion. If all countries were to seek to engage in every kind of production, regardless of efficiency, we should be destroying our approach to the first objective I mentioned, which is a rising standard of life throughout the world. If I may take the argument a little closer home and suggest that this concern for efficiency is a vital interest to the under-developed countries who are seeking to set up industrial undertakings, I would like to put it like this: If a new industry in an under-developed country is set up without regard to efficiency, later on the time will come when that infant has grown up and wants to go out into the world, when that industry will want to compete on world markets; and if due regard has not been paid to the problem of efficiency it will find that its products do not sell on world markets; and that would be, again, a departure from the first of our objectives, increasing the standards of life throughout the world. I suggest it sounds almost paradoxical, that the smaller the country that is engaging in industrialization, the more important is this consideration. In a very small country it is probable, in the present state of technical development, that the home market will not be sufficient to provide a large enough off-take for the product of one undertaking, and the infant from the very early months of its life will have to consider how it is going to get a market large enough to bring it to full growth: that is, it will have to be in a condition to begin to compete in world markets very early. Those, Mr Chairman, are the thoughts which occur to us on the objectives.

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I turn now to the problem of methods of fostering the infant during the early months and years of its life, the methods obviously not so important in principle as the objectives, but, none the less, I suggest there are some serious problems for this joint body to face when we come to consider the question of method. So I would like to begin, if I may, on what I hope is the least controversial part of this problem of methods; and I suggest that there the important thing for countries which wish to industrialise to do is to address themselves to this problem of how to discover the efficient things to do. That is ^{very} largely a national problem; it is a matter which clearly each Government has got to decide for itself. I do not think that there is yet opportunity for a world plan on industrial development to be set up, but there are there, we think, opportunities for international action of a positive and helpful character; and I would put very high in the order of priority the question of discovering whether some international body or maybe several international bodies cannot contribute to what is really the key to industrialisation - access to what my colleague on my right would undoubtedly call "know-how"; and the development of that first step in technical achievement which is so essential for all industrialisation to succeed. Well, the I.T.O. or maybe the International Bank or maybe one of the organs of the Economic and Social Council may have a big function there in arranging for the proper passing on of technical knowledge; and it may be that this knowledge can be exchanged; it may be that the old and declining industrial countries would like to sell some of it. There is another aspect of that which applies to some under-developed countries possibly but not to others, and that is how we can set about organising a proper flow of capital to those countries which are anxious to

industrialise; and there again I hope we shall be able to hear perhaps from the observer from the Bank whether there is any contribution of a positive character for which international machinery is already in being.

Now, Mr Chairman, I must turn, I am afraid, to the more controversial part of this consideration of methods. We have heard in various speeches a great deal of anxiety expressed on the problem of how to shelter the infant from the competition of the elderly, how to enable the infant to get started behind the protection of a tariff of uncertain height possibly or behind some other barrier; and there has been a tendency, I think it would be fair to say, rather frankly, in the previous speeches to suggest that this is solely a problem which concerns the so-called under-developed countries and does not at all apply to the more developed countries. It may apply more acutely in some countries than others, but I think all of us have to face it. Except where industry is to be left in a completely static and fixed condition, there is always the problem of how a new industry can be started. The protection aspect, it seems to us, has been over emphasised here. But how does a new industry start in the largest market of all, the market of 145 million people within which there are no protective walls? I do not believe that American infants are so much more strong and healthy at birth than all other infants that the problem has not to be faced there. I know it can be replied that at least the American infant has the advantage of the technical skill that has been developed by his elder brothers, and I would agree with that criticism of what I have said, but I would say again that it adds point to the previous part of my remarks, where I suggested that the main solution to this problem lies in the discovery of proper methods to enable

technical knowledge to be exported freely and moved about the world. But, all that having been said, there is obviously a residual problem of enabling certain countries to protect their newly-born infants; and I think generally three methods have been suggested. They are: subsidies, tariff protection, and protection by means of quotas. I am sure, Mr Chairman, we shall discuss these in great detail when we come to them, but I think I should say straight away that we in the United Kingdom at any rate think there are grave objections to the use of quotas for this purpose, not simply from our own point of view but also from the point of view of the country that uses them; and that aspect of our argument we shall develop in detail when we come to discuss that problem in detail. Tariffs are being discussed at the moment by Committee II, but I think it is just worth saying that the selective method of negotiating tariffs offers a good deal of hope to those who wish to use protection for their infant industries. On subsidies, we know it is commonly said that they are not open to the poorer countries, and when we come to that we should hope to show that that argument is really misconceived. It is not a problem of a country's national income whether it can afford to pay subsidies; it is a problem of securing from the consumer of one article or from the taxpayer as a whole means to enable him to buy one article cheaper and to pay more for another.

My last point, Mr Chairman, is this. We have heard suggestions that the under-developed countries should retain complete freedom to adopt any method to any degree for the purpose of fostering industrialisation. I do not know how seriously and how firmly that proposition is put forward, but it seems to us to be a counsel of despair. It is easy for

any country to say "To enter into an international commitment is a sacrifice of my sovereignty", and to think that that ends the argument; but it is not possible for one country to say that and for others to go on and to enter into international agreements; there is and there must be found an opportunity for enabling us all to enter into an agreement reasonably compromised; and in any case, surely it is unnecessary to retain this complete freedom? New industries take time to develop. You cannot build factories all over a country at once; and in the course of time we expect commitments to be modified in detail. To relate it to the tariff problem there are and must be opportunities at intervals for revising the tariff commitments that have been entered into; and there are in the American draft charter one or two so-called escape clauses which may be useful in enabling countries with legitimate apprehensions on this subject to undertake the commitments which will enable us all to set up the I.T.O.

Mr Chairman, I am afraid I have taken a very long time on this. I would now like to end, if I may, by making a concrete suggestion about the work of this Committee. We have had an extremely valuable paper from the Australian delegation on this subject, and it divides itself into various parts, beginning with general principles and going on to deal with technical and other assistance, and then it touches on some of the points which I have already made relating to methods.

I would like to suggest to the Committee that we should take the Australian paper as the basis of our discussion and try to clear our minds on those passages in it which deal with objectives. Let us get that clear first and then we can come on to the question of methods with much more certainty about what we want to use the methods for. That will have the incidental advantage that Committee II, which is discussing the framework of these methods, may itself have cleared its ideas and give us a better knowledge of the background against which we must consider the use of these methods on the subject matter of this joint body.

THE CHAIRMAN: May I thank you for your very valuable contribution to the work of this Committee by opening this discussion in this fine way. I am tempted to ask you, if you will, to elaborate a little on one point that you raised, which I think is one of the most important points, and I am making this request because I feel that, if you could elaborate on it at this stage, it would help the discussion. Other members would then be able to refer to that point, I think, more specifically. That was the question of efficiency.

MR HELMORE (United Kingdom): Yes, Mr Chairman, I will gladly do so in answer to questions perhaps, but I think my French colleague had a point of order to put to you before I went on to that.

M. UGONET (France) Mr Chairman, I am rather embarrassed to be speaking now after my British colleague has spoken, as his statement was almost the one that I myself should have liked to make, and I should not like to have it thought here that we had spoken of it and put our ideas together before coming here. Nevertheless, I think it might be useful to put it to you before the debate goes on that France is in a situation easy to be compared with the one of Great Britain upon all these points. France is, in certain ways, in a situation comparable to the one of the non-developed countries. As a matter of fact, she has, on the one hand, an overseas empire of colonies and territories, the economic development of which is not as yet high enough, and, on the other hand, the destruction of her own territories has placed her, as Mr Helmore has already said, in a rather difficult position easy to be compared with the one of new and young countries.

If you will allow me, I shall give you the statement which I have

prepared for today and which may be, in certain ways, a repetition of what has been said by my British colleague. France remains within the traditions of her ideals when she takes full part in all the efforts which aim at improving living conditions and the existence of humanbeings throughout the world. The administration of the different rules of international trade with a view to achieving such an aim appears, therefore, highly desirable to her, more desirable in every way, every day, because of the general economic interdependence which has been brought about by the development of transportation and means of communication. A gradual increase in the effective purchasing power of the populations of one part of the world entailing an increase in the demand for goods and services on the part of those populations gives workers in other parts of the world the opportunity to purchase more and, therefore, to increase their own purchasing power. This is by now a commonplace. This favourable evolution of human conditions naturally presupposes a certain permanent state of general economic stability. Among other things, it is desirable that the purchasing power of the one part should be effectively used for the acquisition of consumer goods and producer goods in a relatively reasonable proportion, and that the use of the new production goods in the increase of the productivity of labour should be highly beneficial to the workers. The lowering of production costs, if we gave to this phrase its widest meaning, with regard to the hours of work for the processing of commodities ready to be used is one of the pre-requisites for bettering the living conditions and increasing the standard of living, but cannot for a moment be considered sufficient. The profit made must be real profit to the worker and must benefit the worker by means of increasing his effective remuneration as well as benefiting the consumer by way of lowering the real sales price and also capital invested by ~~xxx~~ remunerating it in fair proportion to the possible risks. It may not be improper to recall the shocking and dangerous aspects of the situation of the Japanese workers before the last war. Full employment was guaranteed in Japan, but under such miserable conditions in regard to working hours and wages that this country could not be considered a customer for others in relation to the mass of its population. On the contrary, it was for them an

extremely dangerous competitor because of the low level of its sales prices. The extension of such a situation within the frame of total freedom of exchanges would have led to a progressive lowering of the standard of living of workers in the other countries. France is very anxious greatly to increase the productivity of her agriculture and industries and also desires to see that the increase of the productivity may benefit the workers themselves in the greatest possible proportion. She is concerned with the problem of increasing production and giving, as far as possible, an appropriate profit to the workers themselves. She is at the moment preparing a plan of re-equipment and modernisation which she hopes to put into effect as early as possible and as soon as her resources of energy, manpower and foreign currency permit. In other words, the problem of full employment does not concern her very much for the time being. On the contrary, she envisages the opening of her frontiers to workers from outside, in so far as she will be in a position to control the quality of those workers from the point of view of technical skill, moral standards and political views, so as to make possible the integration of these people within the French community. This great aspiration towards a general increase in the standards of living in the world can, however, never be brought about except in a progressive way and in a progressive manner. It is not certain that the development of the productivity of each country and of each sector of activity will remain constantly and harmoniously balanced with that of each other country and of each other sector. Accidents beyond the control of man may, for instance, have an influence on the productivity and purchasing power of agricultural populations. The rapid evolution of technology may break the relative equilibrium of industrial means and means of production. Abnormal situations, such as those of the present post-war period, may lead workers to direct their activities to jobs to which they are not well-suited and might later give rise to difficult problems. Crises may appear owing to this break of equilibrium. The effect will be all the more brutal as the specialisation of producers in the world will make them more dependent on one another. The problems of a social order and very great problems will then arise and Governments will be confronted by them. They will arise with the same brutality with the risk that they might

induce those Governments to renounce the pledge they have given under the Charter. It is, therefore, wise to provide that the economic structure of the world should be such that steps against these crises could be effectively undertaken. If indeed we leave it to each Government to take the appropriate internal measures when a crisis appears, this would imply that the Government can really do so. This puts it in a position to plan its economy with positive measures as well as by means of negative measures, and, in particular, to maintain unemployment on the lowest possible level. But this also presupposes that internal measures alone would have a real effect. A quick change of production is a purely theoretical view. Workers do not easily change from one sort of occupation to another, and they do not easily change the place where they work. They are prisoners, more or less, to the traditions of their work. This, at least, is true of French workers. Adaptation to new economic conditions is not easily put into practice if the economic activities of the country are not sufficiently diversified. This has already been emphasised in the history of my own country, which has so often been a battleground, owing to the necessities of its independent policy. Some categories of production in a limited number are carried on in France, despite the relatively low level of their productivity. This remark might lead one to observe that to persevere in this way only means condemning the French worker to a standard of living lower than the one which he could hope to have in a world specialisation of production. I think we must consider this sacrifice as a kind of insurance against the risk of an international economic and political crisis, and I think we can say that this insurance has found in our past history full justification. We must admit that in such conditions and in exceptional cases, some categories of our production to be maintained must be the subject of particular protection. This does not seem to me to be opposed to the spirit of the Charter. I do not insist on the limited and partial escapes regarding the undertakings of such a Charter which will have to be granted to this world faced with crises, when their normal balance of payments will be in an adverse position. I should only like lastly to lay stress on the fact

that the actual inequality in the economic conditions of various countries ought to bring with it a certain possibility of modifications in measures to be undertaken relating to full employment. It seems to me it would be shocking to see a country highly industrialised, and a country which, as a consequence, has already achieved a high standard of living, re-establishing within its own borders full employment through measures which might prevent the increase of purchasing power of the workers of other countries where the standard of living has remained lower.

I am thinking, at the moment in particular about countries whose balance of payments is at the moment unfavourable but whose monetary reserves have remained very high, which would allow these countries to absorb these deficits within a limited period of time without serious danger. The contributions of such a country in a fight against economic crises could serve to maintain and encourage internal consumption of imported products as much as for the maintenance of full employment.

That, Mr Chairman, is what I have to say, apologizing once more for the similarity which my statement may have shown to the statement of my British colleague.

THE CHAIRMAN: Thank you very much.

Mr J.R.C. HELMORE (UK): Mr Chairman, I wonder if I might ask - I was not perfectly sure - exactly how you wanted me to amplify what I said about efficiency?

THE CHAIRMAN: If I might explain, I think you said that efficiency must be the criterion to be considered always before any attempt is made to establish new industry; and I felt that as that was such an important point, the discussion on it might be facilitated if you could kindly put it in greater detail at this stage. If you prefer to wait until a later stage, I think it would be perfectly all right; but I thought it would help the discussion if you could do so now.

Mr HELMORE (UK): Well, I really had two points in mind, Mr Chairman. One relates to what I may call natural efficiency. The example has been used before in another place, that it would obviously be inefficient of the United Kingdom to set up a new industry for the production of bananas. We are totally unsuited by natural conditions to do that. It would be inefficient for a country with no coal and no iron ore to set up a large steel works. That is the first general consideration: that the type of industry has in some way to be related to the natural geographical physical economic

conditions of the country that wants to set it up. But the second and much more important point seems to me to be that if a country decides that it is possible within what I have just said to set up an industry, it should take all the precautions it can to see that the productivity of its workers is not wasted by making the product in (I find myself at a loss for another word) an inefficient way. The unit of production must be the right size; the workers must be trained by those who know the best and most up-to-date methods; the machinery should be (again all I can say is) the most efficient machinery. The danger that I am seeking to avoid is that in pursuit of industrialisation just considered by itself a country may very well set up a number of undertakings; but if there is waste, if those undertakings are enabled to be established behind excessive protection, the country will be wasting its own resources and causing an unnecessary decline, however small it may be, in relation to one particular undertaking, in the standard of life in every economy which is affected in any way by the operations of that undertaking.

THE CHAIRMAN: Thank you.

Mr HAKIM (Lebanon): Mr Chairman, I am obliged to make a few comments on the very illuminating speech made by the United Kingdom delegate. The United Kingdom delegate emphasised the importance of efficiency in production. It must be recognised that production is much more efficient in the advanced industrial nations and that for a long time the less developed, generally agricultural countries, will not be able to achieve the level of efficiency of the advanced countries; but, on the other hand, it is not true that labour and material resources generally in the less developed countries are wasted to a very large extent. Now, this waste also from the point of view of the world as a whole means a great deal of inefficiency in the utilisation of the economic resources. We should not forget in this Committee the point of view of world production as a whole.

Another point made by the United Kingdom delegate was that small countries having small markets are not able to develop the large-scale production and profit from its efficiency and from the economies that it involves. This also is very true; but there are ways of helping small nations not to become very much industrialised - that is not what is desired - but to develop certain industries for which their market and the markets of the region to which they belong may be amply sufficient. I suggested some time before in a previous debate the possibility of the formation of customs unions in certain regions among a number of small nations. I also suggested the method of regional tariff preferences. These two methods may enable even the small nations to develop a certain number of industries. The small nations do not want to become as much industrialised as the big advanced nations. That is impossible for them. All they want to do is to develop certain industries for which their resources and their economic conditions entitle them.

But, Mr Chairman, I want to make a statement as to the reasons why small nations and less developed nations generally want to develop their industries. Industrial development is not an end in itself; it is only needed as a means to the end, the raising of the standard of life of the people. Industrialisation has its evils, but the less developed nations are willing to put up with certain evils of industrialisation in order to achieve the very important end of higher standards of life.

Now, I submit that the raising of the standard of life of the common people cannot be achieved fully without the development of industry. Agriculture alone, no matter how efficient it is, cannot raise to the same extent the per capita income and hence the standard of life of the people. I agree entirely that many of the less developed nations must set themselves first to the task of increasing the productivity and the efficiency of their

agricultural production; but when that is done, manufacturing industry is still necessary to raise the standard of life of the population.

I am going to state three propositions in support of this statement. I do not think there is time here to prove these three propositions fully, but I am going to suggest the reason why these propositions are true.

The first proposition is that in manufacturing industry technology has a much greater scope in increasing productivity per man than in agriculture. The application of science has much greater chances of increasing productivity in manufacturing industry. The use of machinery and the economy of large scale production increase productivity tremendously in manufacturing industry.

The second ¹⁰proposition is that, aside from technology and for reasons other than those of large scale production and mechanical application, labour is more effective in manufacturing industry than in agriculture. It is more disciplined, more continuous and more economical of time than in agriculture.

The third proposition is this: In the exchange between industrial countries and agricultural countries of manufactured goods against agricultural products the industrial countries get the better bargain. This is partly due to the monopolistic position of certain industrial countries as against the less-developed countries, and also partly due to the monopolistic elements in manufacturing industries conducted on a large scale basis of production. For these three reasons I submit that manufacturing industry enables a nation to achieve a much higher per capita income than agriculture.

I want to conclude, Mr Chairman, by pointing to a reason which is not purely an economic one why the less-developed countries desire to develop their manufacturing industries. Higher standards of life for the population do not only mean more food and clothing, but also better education and better enjoyment of the higher elements of culture. This cultural aspect is as important, if not more important, than the purely material aspect of raising the level of consumption. The relation between manufacturing industry and culture is very intimate. Manufacturing industry advances science and enables man to control nature, while agriculture leaves man in a state of dependence on nature, thus fostering fatalism and a generally unprogressive mentality. While manufacturing frees man materially and intellectually, agriculture keeps him in a sort of slavery to forces which, especially in the less-developed countries, are beyond his control. If we really want to raise both the material and the intellectual life of the less-developed countries we cannot escape the conclusion that our aim can only be attained through industrialization. A world divided into rich and progressive countries on the one hand and poor and backward countries on the other is a world that is fundamentally divided against itself and will always contain the seeds of conflict. If the United Nations are to unite the world into one human family the greater number of members of this family cannot remain condemned to a backward state of material and intellectual existence. In the interest, therefore, of human understanding

and of the peace and prosperity of the world all measures should be taken to help the less developed countries to industrialize themselves in order to raise the standards of life of their people.

THE CHAIRMAN: Thank you. I call upon the Delegate of Brazil.

MR MARTINS (Brazil):(Interpretation): Mr Chairman, at the last meeting of Committee I the Brazilian Delegation made certain declarations, and it now wishes to present some propositions to the joint meeting of the First and Second Committees. Before presenting these proposals, however, we wish to appreciate some of the points made by my colleague the British delegate concerning the three considerations or aspects of the matter which he stressed respecting the problem of the industrial development of countries. The first aspect, together with the correlation of industrial and agricultural development, interests my country very closely, because the economic structure of Brazil, which is peculiar to that country, is what I might call a mixed structure, consisting of agriculture and industrial production. Historical events and geographical conditions have led us, at the early stage of agricultural development and later to a first period of industrial development, which grew very rapidly and profited from the stimulus given by the two great world wars. We can, as a result of this, appreciate quite well the conditions in order to achieve the harmonization of two parallel sets of activity, and we think that the economic concept of full employment cannot be applied without some reservation in this country where labour can be employed fully, but where the human conditions of the working masses are not the same as those of labour in the more developed countries. This concept cannot be purely static, it must be, above all, dynamic. The agricultural development of one country cannot be retarded by the industrial development of that country, because the natural conditions on the one hand and agricultural industrialization and mechanization on the other might modify to such an extent the situation that, on the contrary, industrial development must always follow agricultural development. Agricultural mechanization in several of the countries where agriculture

has not yet risen above a certain level will permit each man to produce ten times as much as he now produces, and therefore labour can be diversified by the application of industrial processes without prejudicing agricultural activity. On the other hand, industrialization can provoke a greater demand for agricultural products in those regions where transport permits the goods to reach the producing markets. Another aspect of the British statement is that of the diversification of industry. In some countries diversification is synonymous with stability. In those countries which are producers of raw materials and, above all, of agricultural products, in those countries which concentrate their production on one, two or three products, economic instability threatens economic productivity. We are now faced with many difficulties, and in the past with many crises, provoked by the instability of the principal product of the country in the matter of price levels. Therefore, one cannot think of economic instability without at the same time thinking of greater industrial diversification. One aspect of the British statement on efficiency deserves a reference, too, with due respect, to the period of transition between training and adaptation which is always necessary for the installation of a new economic activity. One cannot, without a period of some years, hope to attain the same productivity and the same efficiency as those of other countries which have carried on this activity over a period of some hundred or two hundred years. We agree with the British delegate, that the statement made by the Australian delegation might be perhaps used with great advantage as a guide and basis for the discussion which we have to conduct here, and it is very likely that the Brazilian delegation will wish to submit a few amendments to this proposal; but in principle the spirit of this recommendation is absolutely in accord with the thoughts of the Brazilian delegation.

I now pass on to my submission of the Brazilian proposal, which is made concerning international investments and loans as a means of maintaining a high level of employment and of developing international trade.

G.fl.s.

Our first proposal is as follows: The members of the I.T.O. recognise that international capital long-range investments and the granting of international loans on a liberal basis constitute convenient means for the development of international trade and the maintenance of a high level of employment, while moreover facilitating the progressive reduction of commercial barriers. It is recognised by the members of the I.T.O. that export of capital is one of the most effective means of combating unemployment in over-capitalised countries. Third point: Export of capital by over-capitalised countries, with the aim of encouraging industrialisation in less developed countries, is therefore very desirable; and on this point the I.T.O. will establish an agreement amongst the interested countries. In this respect the most appropriate form for each country must be considered. Four: When private investments cannot reach the desired aims, the I.T.O. will recommend the negotiation of governmental loans among the interested members. Five: The I.T.O. will recommend the granting of such loans by the International Bank for Reconstruction and Development and will request for these loans a preferential treatment.

We do not want to end this little statement of the Brazilian point of view without expressing our hope that the point of view of the less developed countries, which has been expressed so far by the delegates of the Lebanon and by the delegate of France, will be fully harmonized with the points of view of the more capitalised and developed countries; because we are assured that these problems can be brought to a common solution.

MR FREDES (Chile): Mr Chairman, I beg delegates to excuse me and kindly to listen to me in my own language, because I do not speak English correctly and I do not speak French

correctly. On account of this unfortunate circumstance, I shall not be able to make a general exposition concerning the economic structure of my country and its foreign commerce, and therefore I shall limit myself to reading certain proposals that my delegation thinks useful in discussing this point of industrialisation.

It has been the constant pre-occupation of my country to eliminate restrictions which upset the development of international trade, but it has always maintained that one cannot make headway unless one remedies restrictions of this sort. The Chilean delegation has therefore seen with pleasure the creation of this joint body to deal with the development and industrialisation of countries which are under-developed. The Chilean delegation hopes that as a result of the work of this Committee we may arrive at a new chapter in the draft of the charter for international trade, a chapter which, according to our estimation, may contemplate the following points. First, the state members will undertake to try, by all means within their reach, to see that the countries industrially under-developed may place in sufficient quantities during fairly long terms and at remunerative prices the natural products and industrial products which are indispensable for their national economy and for the improvement of the standard of life and working conditions. Such products may constitute the main source for the commercial interchange which is an essential means of existence and is vital to the economic stability of a country. Two: As a general policy consideration shall be given to the necessity for compensating the disparity which can be seen between the primary products and those manufactured, establishing the necessary equity among these products. Three: In case there should be shortage of indispensable products for the maintenance of

established industries or for the consumption in a member country, this country will be consulted concerning the interest it has in its importation, in order to give it a minimum participation. If no agreement can be reached, the problem will be submitted to the consideration of the organisation. Four: With the purpose of finding an efficacious means to raise the standard of life of the people by evaluating their natural resources and human resources to contribute to the help of international commerce, and it being of mutual interest and benefit for the highly industrialised countries to develop in the countries which are under-developed, the member countries undertake to try by all means possible to lend help for such purposes. For the realisation of these purposes the member countries will promote the industrialisation of the raw materials which might constitute the basic production of the countries industrially under-developed, the creation of new industrial branches and the perfecting and amplification of those industries which already exist, provided that they adapt themselves to their local economic conditions and providing they contribute to the greater consumption in the country as well as to its foreign trade. For such purposes the member countries will facilitate the getting of the raw materials, means of production and the technical personnel which are necessary. Five: The member states reiterate the principle which has been consecrated in the Atlantic Charter - that of equality of access to all sorts of raw materials. Also they declare and accept the principle of equality of access to the means of production and the manufactured and the semi-manufactured articles which they may need for their industrialisation and for their economic development. Six: With the purpose of financing the member countries, where there is an abundance of capital,

in order to give to those countries requiring ample credit on long terms and at low rates of interests and equitable amortisation, the necessary steps shall be taken towards such operations. Seven: In order to develop economically the member countries they will try to lend ample facilities for the free transit and investment of capital, giving equal treatment to national capital and foreign capital, unless the investment of the latter is contrary to the fundamental principles of public interest. Eight: The investment of the above-mentioned capital must be effected as far as possible in a mixed manner, assuring thus the fair and equitable participation of all in the formation of enterprises and businesses, and avoiding as a general rule that investments abroad displace national capital of industries and business activities which may exist in future.

means of judging it and so that they may consider it, if they think it advisable to do so, at the next meeting.

THE CHAIRMAN: Thank you very much.

One of the disadvantages of starting these meetings at eleven o'clock is that they come to an end almost as soon as they have begun. I was just wondering whether we could make it a rule, when we do meet in the morning, to meet at 10.30 instead of at 11. I do not know how the Members of the Committee will react to that suggestion. It is a suggestion which I throw out in the interests of the work. I am entirely in the hands of the Committee in the matter.

MR. COOMBS (Australia): I would like to support the suggestion, Mr. Chairman. I think it is a good idea.

THE CHAIRMAN: May I take it that is generally agreed to ?

(Delegates indicated assent). Thank you very much. Then we will meet, when we meet in the mornings, at 10.30.

With regard to the question of our next meeting, the suggestion has been made that we might continue and meet this afternoon. I do not know whether that will be convenient to the Members of the Committee. If not, then we can discuss the question of a meeting next week. I would suggest that it should be fairly early. Are there any suggestions with regard to that ? What about this afternoon ? (Delegates indicated dissent). There is general opposition to that.

MR. HELMORE (U.K.): Mr. Chairman, I was going to say that I am as rooted in my opposition, as I think all other Delegates are, to Saturday afternoon meetings as a general rule, but I think it might perhaps be wise to make an exception this afternoon. We are right in the middle of our general discussion; all the speeches are fresh in our minds, and if we were determined to get on this afternoon we might reach a point at which the future scope of our business would have become clear.

MR FRESQUET (Cuba): Mr Chairman, taking into consideration the importance of the statements made this morning, I think if we were to have more time to study them, it would be better for our work and for our consideration and for our judgment.

THE CHAIRMAN: Shall we decide then to have a meeting early next week?

MR COOMBS (Australia): Mr Chairman, it is obviously going to be very difficult, particularly when so many of the Delegates are interested in the work of other Committees. I fully appreciate the difficulty of Delegates, particularly at five minutes to one on Saturday, deciding that they want to work on Saturday afternoon, but I do feel that it is going to be very difficult for us to get through our programme if we adhere to the present schedule of times. Could I suggest that we hold some meetings in the evenings?

THE CHAIRMAN: Would it not be possible to begin the afternoon meetings at 2.30 instead of at three o'clock? That might help, might it not?

MR COOMBS (Australia): Mr Chairman, I think one of the difficulties arising from the adoption (if I may say so, very successfully) of the plan of devoting the whole of the day to the work of the major Committees is this: While I am not suggesting that it would not be a good idea to start at 2.30 (it may well be), I do feel that it will not necessarily solve this problem, which is that we have a number of Committees in which Delegates wish to participate, and it is exceedingly difficult, therefore, to divide up the time in such a way that they all get fairly frequent meetings. I think that problem can only be overcome actually by adding to our working time either on Saturday afternoons or, alternatively, in the evenings. If we start at 10.30 and at 2.30, the chief benefit will be that we will get a longer time to devote to the work of the main Committees working through each day. If it would be possible for us to meet at some times in the evening (not necessarily every night of the week, but if certain nights could be decided upon in advance so that Delegates could keep them free), I think we could make very good progress if we had two or, say, three sessions each week from eight o'clock to 10.30.

THE CHAIRMAN: Perhaps the Secretary could kindly make some suggestions with

regard to that.

MR WYNDHAM-WHITE (Executive Secretary): I think, Sir, it might be helpful if I were to explain what the programme complications are. Under the arrangements which we have provisionally made for next week, ^{on Monday} there is to be a full meeting of Committee IV, that is to say, a meeting which begins at 11 and continues three o'clock in the afternoon. Equally, on Tuesday, another principal Committee, Committee II, has provisionally a meeting which will last all day, and I had contemplated that Wednesday should be devoted to Committee I, which has not held a full meeting since Monday. You will see, therefore, that the prospect of this Committee meeting again is rather remote, if we are to avoid a clash with any of the other principal Committees. A possible solution would be, in addition to extending the hours of work (which, I think, is essential, if we are to get through any time-table at all), to hold a morning meeting of this Committee on Monday or Tuesday, at the expense of Committee IV or Committee II, but with the understanding that Committee IV or Committee II (whichever gives way) would meet for longer hours, that is to say, perhaps beginning at 2.30 in the afternoon and sitting as late as possible.

MR COOBS (Australia): I think that is a useful suggestion, Mr Chairman. I would like to plead on behalf of Committee II, however, that we have a very heavy programme and that, therefore, the time in the early part of next week to be handed over to any other Committee should not be taken from Committee II.

MR HELMORE (United Kingdom): If I might speak in my capacity as United Kingdom Delegate and Chairman of Committee IV, there are equally good reasons for not taking time away from Committee IV. The Chairman of Committee I is here, so he will be able to stand up for himself in a minute, but I hope I shall be forgiven if I suggest to him that, as he postponed the Sub-Committee of Committee I, which was to engage on some analysing of proposals and assembling them, perhaps in this case Committee I might postpone itself for one day.

MR WUNSZ KING (China): Mr Chairman, Committee I has not met since last Monday; that is because the Sub-Committee has not been able to meet up

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till now. I think the Sub-Committee will be able to meet on Monday next, and I would like very much to have the matter disposed of as quickly as possible in the early part of next week, so that the rest of the time will be entirely at the disposal of all other Committees, including this joint one.

MR COOCHS (Australia): Might I suggest, Mr Chairman, to test the feeling of the meeting, that this Joint Committee meet again on Monday night at eight o'clock?

THE CHAIRMAN: What is the general reaction to that?

MR HELMORE (United Kingdom): Mr Chairman, my suggestion for meeting on Saturday afternoon having been rejected unanimously, perhaps I might say something about evening meetings. They are possibly the least difficult for the United Kingdom, since it is at home, but there are a great many ways in which the work of the Preparatory Committee can be facilitated by leaving evenings free. I do not think that I have spent a single evening yet during the week without being engaged in consultation with other Delegations on particular points; and that type of work, which must be done at some time, really merits consideration in allocating our time. I would be perfectly prepared for evening meetings if we have reasonable notice that they are going to happen, and not on every evening, but I would have thought Monday or Tuesday of next week is rather too soon to start on that process. I am prepared to make a suggestion which I hope will solve this problem, which is that we arrange an evening meeting for one of the later days next week so that people may have time to re-organise themselves for it, and I suggest that the Chairman of Committee II and the Chairman of Committee IV abide by the toss of a coin, which of them gives up half a day on Monday or Tuesday and meets in the evening instead, so as to make room for a half day's meeting of this body. That is a challenge.

MR SPEEKENBRINK (Netherlands): Mr Chairman, with regard to the possibility of meeting this afternoon, in my opinion, as we have a heavy programme before us next week, we might easily sacrifice our Saturday afternoon today.

And thus progress is achieved. Otherwise I fear we shall be here not merely for one month but for three months.

THE CHAIRMAN: It seems to me that the general opinion is very much against an afternoon session to-day. I do not know whether I am right in saying that. It seems that the general opinion is rather against it.

Mr HELMORE (UK): We do not like to put these things to the vote, obviously, but would it assist the chair if you asked those who were prepared to sit this afternoon to raise their hands - not in the way of voting on it, but simply to see exactly how the matter stands?

THE CHAIRMAN: Will those who are in favour of meeting this afternoon raise their hands. (There was a show of hands.) Then we are still left with this proposal, that Committee II or Committee IV may very kindly give up Monday afternoon.

Mr COOMBS (Australia): I would suggest that the Chairmen of the various Committees and the Executive Secretary go into a huddle over this.

THE CHAIRMAN: Yes, and then we can announce the date of the meeting in the Journal on Monday.

Dr. SPELMANBRINK (Netherlands): I suggest we should have a combined meeting of Committees I and II on one of the evenings of next week, so as to pay for our free Saturday afternoon.

Mr COOMBS (Australia): I think that might be done, Sir. If we have the week-end off, we can arrange to have at least one evening meeting next week and one or more Committees to sacrifice some of their time during the day.

THE CHAIRMAN: There is one little point: it would be very helpful if delegates when they have fairly long drafts to submit for addition to the Charter or Proposals could kindly submit their texts in advance of the meetings. It would help the discussion, I think. The meeting is adjourned.

(The meeting rose at 1.3 p.m.)