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

VERBATIM REPORT

EIGHTEENTH MEETING OF COMMISSION A  
HELD ON WEDNESDAY, 25 JUNE 1947 AT 2.30 P.M. IN THE  
PALAIS DES NATIONS, GENEVA

M. MAX SUETENS (Chairman) (Belgium)

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CHAIRMAN (Interpretation): Gentlemen, the meeting is called to order. We resume the discussion on Article 33. The first speaker on the list is Mr. Deutsch, the delegate for Canada.

MR. J.J. DEUTSCH (Canada): Mr. Chairman, I wish very briefly to indicate the attitude of the Canadian delegation to the New Zealand proposal. The delegate for New Zealand emphasised particularly that the Charter should be developed in such a way that it would accommodate the different types of economies of countries whom we would wish to have Members of the I.T.O. To our mind, Mr. Chairman, the Charter does that now. The Charter is a compromise between economies which depend very largely - operate very largely - on the basis of private enterprise and of economies that employ varying degrees of planning. That compromise has, by and large, been worked out and with that we agree - that it should be a compromise.

The delegate for New Zealand pointed out that countries should, within the confines of the Charter, be able to plan their full employment programmes, to plan their development programmes, and he said also to plan their foreign trade. It seems to us in the first instance that nothing in the Charter would rule out the adoption of programmes of full employment in any country; indeed, the Charter requires Members to undertake certain obligations in that respect about maintaining full employment and the implications of that are recognised in various parts of the Charter, and particularly in the vital Balance of Payments Section. The programmes countries may wish to adopt regarding development are also recognised. In the present Chapter IV specific recognition is given to the objectives of countries to promote the development of their economies and, with respect to the matter

of planning foreign trade, the instruments of tariffs and subsidies are permitted and, in certain exceptional cases, cases where it can be demonstrated that certain devices are necessary such as quantitative restrictions, even those are permitted. So it is permitted to every Member of the Institution to plan its foreign trade by means of tariffs and subsidies; and therefore the only weapon in which there is a general limitation, that is, the only device where there is a general limitation, is the one concerning quantitative restrictions; and we for our part feel that the device of quantitative restrictions is the one device which is capable of the most destructive effect upon world trade, and for that reason we feel it is important that limitations shall be laid down regarding the use of that particular device - limitations which in almost every case impose certain sacrifices upon the countries concerned. Every country makes sacrifices in adhering to those limitations, but we agree that these sacrifices are necessary for the common good, and unless we are all prepared to make the sacrifices involved in those limitations we cannot achieve the aims which we are seeking to attain.

Now the New Zealand proposal would in effect create a very large loophole in that rule regarding the use of quantitative restrictions. It would be a major breach in that rule and that we cannot accept.

In brief, Mr. Chairman, we feel that the aims of the New Zealand delegation are recognised in the Charter at present.

They may not be met quite in the details desired but that is something that can be examined, and we agree that that should be examined by the Sub-Committee. But as for the specific proposal of New Zealand which really would involve a very major change in one of the fundamental principles of the Charter, that we could not accept. If, however, the particular details at present throughout the Charter can be modified, perhaps, to make the present provisions more applicable to New Zealand, we would be prepared to accede to that undertaking but the specific proposals which New Zealand is now proposing we could not accept.

, CHAIRMAN (Interpretation): Mr. Coombs.

Dr. H.C. COOMBS (Australia): It goes almost without saying that the Australian delegation is in the strongest sympathy with the domestic policy outlined by the delegate for New Zealand out of which the problem he has presented to the Conference arises, the policy of the maintenance of high levels of employment and effective demand. The policy of the progressive and concentrated development of the resources of the country which characterise the New Zealand policy, are, we believe, not only sound policy, but also provide the first two pre-requisites of an expanding volume of world trade. So long as the levels of demand are maintained at the maximum, and so long as the resources of the country are being progressively developed in a way which increases the purchasing power of the economy for domestic and internationally purchased products, at least two of the most important requirements of expanding world trade have been fulfilled. The New Zealand delegate has pointed out that his country is one of the greatest traders in the world in proportion to its size. I think we would also say we would feel perhaps less concerned for the future of world trade if we were as confident that other countries of the world would maintain a similar approach to at least these requirements.

It is necessary to say, however, that important as those two requirements certainly are for the expansion of world trade, they do not represent the whole of the requirements. It might be possible for them to be fulfilled and for there to take place at the same time developments which might lead to a contraction of trade, and to a reduction in standards of productivity, and therefore to a reduction of standards of living throughout the world, if, by their unwise interpretation, they lead to a destruction of the specialisation between the countries upon which the highest level of productivity does depend. I think it is in this particular requirement that the difficulties of the New Zealand problem arise.

In our discussions in London, I think it is correct to say that we had the problems and types of economy of New Zealand very much in mind. We recognise that the maintenance of high effective levels of demand and a policy of internal development could, and in fact were very likely to, produce difficulties in the international payments of the country concerned - so much so that it was essential that the provision should be made for that country to plan or to control, whichever word you like to use, its international trade. Then, it encounters balance-of-payments difficulties which we recognise would be almost inevitable in a small country, particularly where it had a substantial overseas debt, where it was unwilling to add to that debt at a high rate, and where it was maintaining a level of effective demand higher, probably, than that in the majority of other countries. In those circumstances it was recognised that it would be necessary for the country to control the level and, to some extent, the character of its imports, and provision was made for that. It was hoped that that would meet the requirements of economies of this character. It recognised the need for a planning of international trade, but it recognised that need as arising from, as being a consequence of, the maintenance of effective demand and the pressing on of development as part of the domestic policy.

Now, the New Zealand delegate has criticised that approach as being an admission, so to speak, through the back door, or through a window inadequately fastened. That, I feel, is perhaps a little unfair to the London Conference, since what was done there was done, I believe, in part at any rate, deliberately to meet the circumstances of economies of this kind. It is true that the right to control imports is granted not for itself, but as a necessary complement to the right to maintain a high effective demand

domestically.

The New Zealand delegate now, in effect, says that it is necessary that countries which so desire it should have the right to plan international trade as an end in itself, not merely as a necessary instrument to the carrying through of their domestic social policy. That view is understandable where a country, for political or social reasons, decides that a given course of action is desirable. It is to be hoped, at any rate, that it will be possible for that to be provided for in an international instrument of this kind. That hope, however, can only be fulfilled if the planning of international trade, contemplated as an end in itself, is consistent with the general purposes of the Charter, with the interests of the other countries concerned - or at least, not unduly inconsistent with them - and if it does not enable a country obtaining it to obtain privileges which are denied other people.

I regret that the United States delegate, in particular, has in his remarks yesterday chosen to discuss this issue as, so to speak, one of doctrine. I cannot remember precisely the words of the leader of the United States delegation when he spoke the other day, in which he reminded us that he had warned his delegation when they began that there would be moments in the course of this Conference when all would appear to be threatened. I think perhaps this is one of them, but that the danger is not as acute as he may have imagined. I am not prepared to believe at this stage that it is not possible to resolve this difficulty in a way which recognises fundamentally the rights which the New Zealand delegation seeks, but recognises them in a way which fits them into the general structure of the Charter, which recognises also that whatever provision is made for economies of the kind which New Zealand .

entails embodies/for those economies obligations which are parallel with the obligations which the other parts of the Charter impose upon the economies to which they are applicable.

Here, I think the critical issue is the issue of protection. As I said earlier, the third requirement of an expanding volume of world trade is the best use of the world's resources - not merely the full use, but the best use, through international specialization in its best sense. When I say that I would like to remind delegates (it is unlikely, perhaps, that they will have forgotten) that I do not mean by that a division between industrial countries and primary producing countries, but a specialization in which all countries are able to produce goods of all kinds according to their special capacities, and that international trade will gradually develop into an exchange between economies of a great variety of goods of all classes which are produced in the places where natural and human resources give a particular advantage

It is clear that in some circumstances the use of protection may well be necessary for the development of that specialisation. We have argued that it is. On the other hand, it is equally clear that the misuse of protection can destroy international specialisation. It can prevent its development and could ultimately lead to the development of a series of isolated independent economies, to standards of living that will necessarily be far lower than they need be.

The Charter does seek to impose upon countries - while recognising their right to development and the use of protective devices - it does seek to impose on them some discipline in the degree to which those devices are used, and the circumstances in which they are employed.

It is important, therefore, if we seek to embody in the Charter provisions which will recognise the rights of countries to plan their international trade apart from the right already embodied to plan it when the consequences of a full employment and development policy make it necessary, that that provision should impose upon them the same sort of obligations as are imposed on other countries.

Now I fear that there is a danger that we are going to be confused in this issue. It is important that we confine our discussions on the New Zealand Amendment, I believe, to the question of whether it is possible to write into the Charter, without destroying its general fabric, provision for a country which seeks to plan its international trade, recognising that if we do that one of the problems of doing it is to write into that part of the Charter which deals with those countries obligations of the same kind as are imposed on other people.

Let us leave the question of what those obligations should

be to be dealt with where they have been dealt with already, and confine our discussion of this particular problem as to how parallel obligations can be written into this part of the Charter.

For instance, it is clear that the issue here is going to be very closely bound up with the employment of quantitative restrictions for protective purposes. Now there is an argument going on around Conferences, whether the present provisions for the control of quantitative restrictions for protective purposes is good, or whether it does not go too far.

Let us fight that out in the place where it is provided in the Article which deals with the quantitative restrictions, and whatever is the answer there; let us make our job at this stage to apply that automatically - as automatically as it can be applied to the other sections of the Charter which deal with particular types of economy to which the Article dealing with quantitative restrictions itself does not necessarily apply.

I believe if we do that there may be other problems, other measures of the same kind, which are involved in this issue; but I feel certain that the New Zealand Delegation in putting forward this proposal is not putting it forward as a means of obtaining for New Zealand privileges that they are not prepared to extend to other countries, but they are putting this forward because of the political and social policies of their Government, because the political and social policies of their Government are such that they doubt whether adequate provision is made for them in the Charter, and they would therefore be willing for us to approach this question on the basis that when seeking to recognise their particular problem we seek to recognise it on a basis which grants them no privileges which are not granted to other countries in other parts of the Charter.

Mr. Chairman, I do not believe there is any need for despair about this question. I think it can be adequately dealt with. I believe there is a prospect, at any rate, that it can be adequately provided for; and I would therefore suggest at the appropriate time that we can well do with this issue what has been done with so many others - that is, we can refer it to a small Committee with the confident expectation that human ingenuity (of which we appear to have a good deal at this Conference) will find a solution to this problem also.

CHAIRMAN: The Delegate of Belgium.

M. Pierre FORTHOMME (Belgium):(Interpretation): I merely wish to state, Mr. Chairman, that the Belgian Delegation fully supports the statement made by the Canadian Delegate.

CHAIRMAN: Does any Delegate wish to speak on this subject? The Delegate of the United Kingdom.

Mr. S.L. HOEMES (United Kingdom): Mr. Chairman, the United Kingdom Delegation has studied with interest and, I think, like other Delegations, with thoughtful and sympathetic interest, the New Zealand amendment to Article 33 which we have before us.

Whatever may be felt about the content and the implications involved in the New Zealand representative's speech, I feel that no one could but have listened to it with admiration as to its moderation and dignity, just as we had listened on a previous occasion--I think on 20th May--to the speech delivered in this room by his distinguished leader, the Deputy Prime Minister of New Zealand. But in saying that, I should say also that we, like other Delegations, have tended to feel that the case presented by New Zealand was already largely met, and fairly met, by the draft Charter as it stands.

We have a great responsibility, and I suppose we do well to remind ourselves of the responsibility from time to time, of drafting a document which we hope will be greatly to the advantage of all countries in the world; and if I might turn for a moment to something my United States colleague said yesterday, we in the United Kingdom feel that the Charter must certainly be drafted in such a way that the United States could become a member. However, I would not wish in anything I say to be thought to be minimising the difficulties, yet I was encouraged by

and I think I share the restraint optimism of Dr. Coombs, whose usual masterly analysis of the problem I will not attempt to reproduce, in believing that a way out of this difficulty can and will be found.

Perhaps Mr. Webb will forgive me if I say that much of the Charter (especially, I think, so far as concerns Chapters III and IV) is modelled on lines proposed by the New Zealand Delegation itself, to fit the circumstances and the stage of development reached in New Zealand, and the measures which New Zealand has been taking and wishes to continue to take in order to carry on her domestic policy. The Charter recognizes fully that it is for countries themselves to decide on their domestic policies, and insofar as this does not adversely affect the interests of other countries or the purposes of the Charter as a whole, that it is for them to decide on the means whereby those domestic policies are effected.

It can also be said that a good deal of latitude has been allowed for in the Charter to meet special cases, and we are up against the difficulty that if every country, whatever its shape, begins to have, as it were, a hole made to suit its individual shape, the shapes of countries are necessarily so varying that the resulting global hole, if I may use the term, would be rather large. There must, in other words, be a certain amount of give and take, and no one, I imagine, will be satisfied to the extent of one hundred per cent. with the document we finally evolve after a great deal of labour and a great deal of consideration to our own and other people's cases. I am sure that that will apply to the Delegation that I represent.

Of course, it is said, and rightly said, that circumstances are difficult and peculiar: that they have been peculiar over a number of years now; but it might not, I think, be altogether unfair to say that some of the measures taken even in New Zealand in the course of the peculiar period have been such as might have led to certain complaints by others had the Charter been in effect: complaints perhaps directed to the content of Article 13 (1).

Nevertheless, I believe that we all feel that there has been a great deal to admire in New Zealand's policy and development, and clearly we have to make every effort to satisfy ourselves that a reasonable satisfaction is given to all countries who find that the Charter as it stands may not be entirely appropriate to their individual circumstances, or that it bears heavily upon the domestic policies which they may be pursuing in their own interests, and as they would claim, in the interests of all other countries also. We therefore would welcome, Mr. Chairman, the proposal that the amendment suggested by the New Zealand delegation should be considered carefully by a strong and especially competent Committee, the exact composition of which will, of course, be very largely in your own hands.

CHAIRMAN (Interpretation): I suppose that other delegates wish to speak ? Mr. Webb.

MR. L.C. WEBB (New Zealand) : Mr. President, it would be, I feel sure, less than grateful on my part if I were to attempt to turn this into an argument. I would only ask your permission to correct certain misapprehensions which may have arisen as to what I said yesterday, and I would like to begin by referring to the remarks of the United States delegate and incidentally to thank him for those remarks, because I felt that in some way we were perhaps looking at one another across a gulf created by different economic backgrounds and different economic experiences, but I felt all through his speech that he was making an effort to understand our problem, and I feel grateful for that. But I felt nevertheless a little unhappy over his fear that what we were seeking was to make a position of complete development of the protection of all the domestic industries, "with the only restraint on that development resting in the will of the country which controls its trade." Those are his exact words. That is not what we desire, and I am certain that it would not be the position were our amendment adopted, because it seems to me that paragraph 2 of Article 35 - and we specifically refer to Article 35 in our amendment - prevents that sort of thing from happening. And I think if we doubt the efficacy of Article 35 then really we doubt the possibility of enforcing any of the Rules in this Charter.

Dr. Goombs in a very helpful speech has said that the New Zealand delegation has perhaps misunderstood Article 26 and perhaps been a little unfair in its interpretation of the work which was done in London, and if that is indeed the case then I regret it. We have read Article 26 very carefully and

we have read in particular those passages in the London Report which are relevant particularly - pages 12 to 14 - where the effect of Article 26 is set out, and our impression was that Article 26 means that as soon as a Member apparently has enough exchange to finance all types of imports, then it must abandon its system of import selection. If that is a wrong impression, then, I repeat, I regret that we have not studied Article 26 thoroughly enough.

We chose to approach this problem in this particular way because at one point in the Charter we do make provision for a completely controlled economy of a certain type - the economy which works its whole foreign trade through a system of trade monopolies or one great trade monopoly; and we thought that it was logical there to provide for our particular type of economy, particularly as we saw the danger that if we left the Charter as it was countries in our position - and we believe that there are quite a number of countries in our position - are liable to be forced by the Charter into a rather damaging choice between going over to liberal trade or going in the direction of state-monopoly, and we feel that the last thing perhaps that this Conference would desire to do would be to push countries in our position further towards the state-monopoly system. And it was for that reason that we felt that it would perhaps be more helpful to the Conference and to ourselves to put the amendment in this particular place.

That, Mr. Chairman, is all I have to say; except to thank this Commission for its patience in listening to what they perhaps thought was an unconscionably long speech by myself yesterday, but above all to thank them for approaching this problem in a very sympathetic and understanding way, so sympathetic and understanding that I feel that I can almost share the optimism of Dr. Coombs. Thank you.

CHAIRMAN (Interpretation): Are there any other delegates who wish to speak?

Two delegates have asked that this question should be referred to an ad hoc Committee who would try to find a solution to this difficult problem. Mr. Holmes considered that the membership of this Committee should be fixed by myself.

Since the sub-Committee on Articles 31 and 32 is already over-worked and has a very large membership, and as I wish a more restricted membership for the sub-Committee on Article 32, I propose the following members: New Zealand, United States and Czechoslovakia, the three delegations which presented amendments to this Article; and in addition, the United Kingdom and Australia. I would ask your permission to preside over the work of this Committee myself. Do you agree to this proposal?

(The meeting agreed)

Mr. B.J. BAYER (Czechoslovakia): I would like to enquire to which of these sub-Committees the Czechoslovakian amendment is to be referred, whether to the Committee dealing with Articles 31 and 32 or to this new Committee? I am speaking of the amendment relating to Article 35 where a representation is being made and the country concerned may be called upon for confidential information which would damage its internal economy. What we had in mind was that this amendment should refer to the whole of Section E of Chapter V.

CHAIRMAN (Interpretation): I think it would be better if the Czechoslovakian amendment were referred to the Sub-Committee on Articles 31 and 32. If this Committee finds it difficult to solve the problem, it can refer it back to the Committee on Article 33.

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Mr. B.J. BAYER (Czechoslovakia): We quite agree

CHAIRMAN (Interpretation): Does any other delegate wish  
to speak?

The meeting is adjourned.

(The meeting rose at 4 p.m.)