

UNITED NATIONS

NATIONS UNIES

ECONOMIC
AND
SOCIAL COUNCIL

CONSEIL
ECONOMIQUE
ET SOCIAL

RESTRICTED

E/PC/T/A/PV/26
5th July 1947

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

VERBATIM REPORT

TWENTY-SIXTH MEETING OF COMMISSION A
HELD ON SATURDAY, 5 JULY 1947 AT 10.30 A.M. IN THE
PALAIS DES NATIONS, GENEVA

Dr. E. COLBAN

(Chairman)

(Norway)

Delegates wishing to make corrections in their speeches
should address their communications to the Documents
Clearance Office, Room 220 (Tel. 2247).

CHAIRMAN: The Meeting is called to order.

Before we continue our discussion on the problem that has kept us busy in two or three previous Meetings, I would like to read a letter which I have received from the Chairman of Commission B. It is dated 2nd July, and states:-

"I wish to draw your attention to a resolution adopted by Commission B on the 2nd July. The Commission, after discussing Article 86 of the Draft Charter, and amendments thereto presented by the Delegations of Cuba and the United Kingdom, and the memorandum on arbitration submitted at the First Session by the Delegates of Belgium, France and the Netherlands, resolved: that further discussion of this Article be referred to the Standing sub-Committee on Chapter VIII.

It was also resolved that in view of the close connection between Article 35 (2) and Article 86, this further discussion should take place at a joint Meeting of the sub-Committee on Chapter VIII and of the sub-Committee of Commission A on Article 35. Such a joint Meeting does not appear to present any practical difficulty, as only ten Delegations will be represented, five Delegations being Members of ad hoc sub-Committees.

It would be appreciated if you would bring this resolution of Commission B to the notice of Commission A in order that the necessary authority to participate in the joint Meeting should be transmitted to the sub-Committee on Article 35".

Unless any Delegate has a contrary opinion, I suggest that we ask the Secretariat to kindly communicate to the sub-Committee on Article 35 that Commission A agrees to a joint meeting with the sub-Committee on Chapter VIII.

Is that agreed? (Agreed).

We now continue our discussion from previous days. The first speaker is, as I announced at the end of the last meeting, the

Delegate of the Lebanon.

Mr. George HAKIM (Lebanon): Mr. Chairman, the Draft Charter proclaims as one of its fundamental aims "to encourage and assist the industrial and general economic development of Member countries, particularly of those still in the early stages of economic development." Chapter IV is designed to give definite expression to this fundamental purpose. On the other hand, the Charter limits, and in some cases prohibits, the use of the means necessary to the achievement of that purpose. To be sure, it does so in the interests of other purposes, among which is the reduction of tariffs and other trade barriers. In this way, it attempts to establish a balance in the achievement of its various purposes.

Where there is conflict in the means for the attainment of these different ends, the Charter thus attempts to strike a proper balance between them. I am not going to evaluate here the measure of success of this attempt in the present Draft of the Charter. I would only say that, in at least one of those aspects, the balance is definitely weighted in favour of the industrialized countries.

It is evident that there is, throughout the Charter, a conflict, at least, a temporary conflict, in the means for achieving two of its purposes, namely (1) the purpose of the removal of trade barriers, and (2) the purpose of the promotion of the industrial development of the undeveloped countries. But it is worth noting that to achieve the first purpose strict and definite obligations are placed upon the Members, which restrict their liberty of action in the achievement of the second purpose. On the other hand, the Charter does not provide for equally strict and definite obligations to give positive assistance for economic development.

While the underindustrialized countries are deprived of the use of the most effective means for achieving their own development by their own efforts, they are not assured of receiving assistance by definite positive international action. To put it rather crudely, they are told "You can buy the machines to build factories, but you are not allowed to use effective means to keep these machines running". There will always be sellers of machines just as there will always be sellers of raw materials, but that is not enough. The Charter seems to me to be lacking in its provisions for the implementation of one of its main purposes.

There is real danger that the industrial development of the under-industrialized countries will be sacrificed at the altar of free trade. It is no consolation to say that any limitation to the industrial development of under-industrialized countries is made only in the interests of the expansion of trade from which these countries will benefit.

The expansion of trade will benefit all nations, but more particularly the industrialized nations. And what will freedom for the expansion of trade mean to the under-developed countries if they cannot develop the productive power which is the basis of all trade? For those countries, economic development must necessarily be their primary aim. They cannot agree to any limitation on such development made in the interests of the industrialized countries. International economic co-operation cannot be based on the subordination of the interests of the under-industrialized countries to those of the industrialized.

The Charter as it is developing is in danger of ignoring this fundamental principle. There is a tendency to give priority to some of its purposes over others, and so to favour one group of nations over the other. This tendency must be stopped, for the

world can ill afford to be divided against itself into these two groups of nations.

In the case of quantitative restrictions, which we are now considering, Article 25 takes away from the under-developed Members what is recognised to be the most effective means for the protection of their national industries.

It is true that there are other protective measures allowed by the Charter, namely tariffs and subsidies, but our Indian colleague has, to my mind, argued rightly - first, that quantitative restrictions need not be more restrictive than tariffs and subsidies and second, that they may be, in certain cases, not only more effective but more rational measures for industrial protection. It may here be objected that the use of quantitative restrictions is not altogether excluded, for there is a possibility of their being used under the so called compromise of Article 13 subject to the prior approval of the Organization. I would say in passing that it is wrong to describe Article 13 as a compromise for it was never accepted by many delegations. But aside from the complexities and difficulties of the procedure of Article 13, this so called compromise means that the under-industrialized Members should give up their freedom of action completely and submit to the decision of the Organization. Will this decision be impartial and not subject to the pressure of economic interests? Will it be based on economic criteria, or will it be the result of political bargaining where the strong have their way? Will the industrialized countries who will inevitably have to make the necessary readjustment not be able to resist effectively the legitimate desire of the under-industrialized countries to develop their industries in order to raise the standard of life of their peoples?

The International Trade Organization is not and cannot be in the nature of the case a Supreme Court rendering justice to all its Members on an equal and equitable basis. When the under-developed countries give up their liberty to help themselves, what assurance do they have that the purpose of the Organization to encourage and assist the industrial and general economic development of its Members will not become a pious and forlorn hope? Is all they get in exchange for the sacrifice of their liberty of action a promise that their applications for release from their obligations under Article 25 will be given due and careful consideration?

The under-developed countries are not asking to have complete freedom to use quantitative restrictions whenever they like. The issue before us is whether they should be allowed to use this means for industrial development, subject to subsequent control by the Organization. The Lebanese Delegation believes that they should be given this limited freedom of action, rather than be subjected to the prior approval of the Organization. Let there be all the necessary safeguards so that the right of Members to adopt quantitative restrictions in the first place would not be abused and would not cause undue harm to the interests of other Members, or hamper the realization of the purposes of the Charter. Let these safeguards be as effective and as strict as possible. Let the Organization order the withdrawal of the measure where other Members can show, and the experts of the Organization can prove, that the restrictions adopted do in practice more harm than good and that they are not justified after due consideration of all the factors in the situation.

Let the Organization even expel the Member who refuses to abide by its decision, after making sure that this decision is based on sound economic grounds, rather than on power and influence.

We feel that with all these safeguards the judgment of the Organization is likely to be more just when it is rendered after the measure is adopted than when it is rendered on an application made by a weak under-developed Member who has been deprived by the Charter of his liberty of action.

We in Lebanon do not use quantitative restrictions, and I hope we will not find it necessary to use them. But we cannot but stand on the side of the under-developed countries to which we belong together with the other Arab and Middle Eastern countries.

We cannot but strive in solidarity with them to redress a balance which already weigh heavily in favour of the industrialised countries.

I repeat, what we are asking for is not complete freedom to impose quantitative restrictions. It is freedom subject to international control, in order to prevent its abuse. We are confident that the Members can be trusted not to abuse the right to impose quantitative restrictions in the first place, and that if they make mistakes the control of the Organisation will be sufficient to correct them. I will conclude, Mr. Chairman, by saying that quantitative restrictions are only a means to an end, that they should not be judged in themselves, but only in relation to the end which they serve to achieve.

That end is the economic development of the underdeveloped countries for raising the standard of living of their peoples. We conceive this to be one of the primary tasks of the International Trade Organisation. The Charter of the United Nations proclaims it in eloquent words - "higher standards of living, full employment and conditions of economic and social progress and development".

We sincerely hope that these words have not been written in vain.

Mr. J. TORRES (Brazil): Mr. Chairman, the Brazilian Delegation has kept a long silence since London on the question of the application of quantitative restrictions for protective purposes. We would maintain this attitude of abstention were it not for the fact that delegations have been asked to state their views, and for our desire to collaborate in the search for a solution capable of promoting agreement between ^{the} two sides. The issue is one which threatens to divide our Conference into two clearly separated groups, possibly with disastrous consequences for the strenuous work which we have all put in as we tried, since October of last year, to concretise our hopes of an international economic order.

You will have noticed, Mr. Chairman, that the Brazilian proposals for amendments of the Draft Charter have been conspicuous by their absence here in Geneva. This does not mean that the Charter as evolved from London and New York was entirely satisfactory to us. We had a number of reservations on Articles of major importance to Brazil, and we have always been ready to insist on what we have deemed to be absolutely essential to our interests, which are also those of other countries here represented or not. We have always been willing, however, to consider the points of view of other ^{and} Nations, /have shown in a number of points a spirit of understanding and self-denial when, after considering opposite arguments, we abandoned positions taken before. In doing so, we believed we were contributing, with our share ^{of} sacrifice, for the benefit of all. Whether these sacrifices have been recognised or not, we do not wish to examine here. It is enough for us to realise the fact and to keep within our tradition of a people who, despite their short history, have always shown a tendency for compromise and conciliation, rather than for extreme position or imposed solutions.

It is in this spirit, Mr. Chairman, that the Brazilian Delegation would like to intervene in this debate. We have the impression that there is, on the part of some countries still undeveloped, a psychological tendency to have a certain distrust of the Charter. It is, however, highly desirable that this lack of confidence should disappear. It is possible that it may have resulted not only from the difficulties met during our work, but also from fears, whether expressed or not, as to the solution that will be given to the vote subject and related problems.

To some it may, perhaps, seem that the Charter, when applied, will deliberately or not result in an instrument for the maintenance of the status quo, thus perpetuating the unfavourable situation of the less developed countries. We believe that a certain vehemence, which has been apparent in the debates on the particular point that engages our attention, is nothing else than a reflection of such preoccupations which, if founded, would be justified and worthy of all concern. Brazil herself, a country presently in the process of economic expansion, would share such fears should she agree that they have reason to exist. We too have our problems of development and our attitude throughout this Conference has shown that we consider the industrialization of our country as a matter of exceptional importance.

The truth of the matter is, however, that Brazil is confident. We believe that the Charter represents an honest effort, made in good faith and on a large scale, to bring about an improvement of world conditions in general and of those of each country in particular, in view of the inter-relation that exists among international economic problems. To us, all who came to this Conference have an open mind without mental reservations or selfish interests. Among them we include ourselves.

We accept as enough of a guarantee that given to countries in a period of early development in formal statements, made in this Conference on other occasions, by those entitled to speak in the name of nations which at this time are the most powerful economically on which the other countries depend for material assistance. Besides, in more than one provision the Charter already incorporates principles tantamount to commitments the fulfillment of which by all Members should not constitute a matter of doubt.

This is all the more reason why Brazil at this moment most sincerely wishes that a formula should be found to settle this difference of views.

We do not intend to enter into a theoretical discussion on the problem of protectionism nor on that of the merits of free trade. In relation to this subject all the arguments have been properly dealt with in books, and their repetition here would be quite useless. But we are of the opinion that the non-submission of all Member countries to the terms of the Charter on an equal footing, is equivalent to the nullification more or less complete of its efficacy. We cannot see, therefore, how measures contrary to the spirit of the Charter we are now perfecting, can be left outside the jurisdiction of the Organization and to the discretion of each country.

Thus, we would not oppose that the provision in question be maintained. We should make every possible effort, however, to find a harmonious solution to the problem. To this end we would like to suggest that the proper way to deal with this matter is to gather all the amendments that have been put forward in connection with the several Articles, and since they all relate to protective measures, refer them to the Sub-committee on

Chapter IV to be considered in the framework of Article 13.

Should the principle of prior approval be accepted, we think it would be in order to instruct that Sub-committee to study the possibility of drafting the pertinent provision of Article 13 so as to allow the ITO to authorise the continuation, for a limited period of time, of certain quantitative restrictions for protective purposes which, after examination, upon a country joining the Organization, are found to be in conflict with the Charter. This would give that particular new Member the necessary chance to change its legislation accordingly without serious damage to its economy. The period might be stipulated in Article 13, as has been done elsewhere in the Charter, or it might be left for the ITO to determine its duration on the merits of each case and the circumstances surrounding it.

We put forward this suggestion, Mr. Chairman, in the spirit of understanding and conciliation which we said inspired the Brazilian Delegation, and in the hope that it might serve as a basis for a formula equally satisfactory to every country concerned.

Mr. C.L. TUNG (China): Mr. Chairman, the case for the under-developed countries has been so ably expounded by the Delegates of Cuba, India, Chile and the Lebanon, that I feel we have very little to add; but I wish to supplement and support their views by the following brief statement:

We are assembled here to work out a scheme for the expansion of world trade and for full employment. We have been persuaded that there will be a Trade Charter to lay down rules of fair play and that by sacrificing some freedom of each, we will gain a large measure of freedom for all.

Now the problem of trade expansion may be tackled simultaneously by two ways of approach. The first approach is to open up world markets and keep them open by providing, in the proposed Charter and multilateral agreements, an elaborate set of legal restraints against the so-called trade barriers. The second approach is to find ways and means to develop these world markets by affording them substantial assistance and a reasonable amount of protection. We all know that the greatest potential world market is not to be found in New York, London, Calcutta or Shanghai, but in the great masses of people in India, China, South America, Australia and many other parts of the world. It is these under-developed countries that need a chance to stand on their own feet through a progressive development of their economic resources and purchasing power, which in the last analysis would increase effective demand and contribute to the general expansion of world trade.

Taking these considerations as our yardstick, we cannot but feel that the provisions of the present draft Charter fall far short of its professed aim. They surround the interests of the advanced nations with every safeguard, while they pay

mere lip service to the needs of the under-developed countries. Take, for instance, the substance of the Charter. Of the 89 Articles presented by the Drafting Committee, probably more than two-thirds are devoted to the protection of the producing, manufacturing, financing and trading interests of the highly developed countries. It is largely for them that reduction of tariffs, curtailment of State trading, removal of quantitative restrictions and other trade barriers have been provided. It is largely for them, again, that almost unlimited national treatment in internal taxes and regulations have been insisted upon. Likewise, it is largely in favour of the producers of certain primary commodities that inter-governmental arrangements have been envisaged with little consideration for the masses of the consuming public, especially in the under-developed countries. In a word, the first approach has been overdone.

What, then, about the second approach? We have often heard the argument put forward that too many concessions have been made to the under-developed countries, especially in connection with the quantitative restrictions. Nothing is farther from truth. In fact, the provisions of the Charter, while containing vague promises of "assistance" to these countries, place serious obstacles in the way of their economic development. Article 13, for example, requires such a country, before it can enforce or adopt protective measures, to enter into prior consultation with the ITO and the Members likely to be affected by those measures. This will seriously limit its freedom to take prompt and effective actions to safeguard its legitimate interests. Again, as provided in Article 25, any Member country applying quantitative restrictions on imported agricultural products will have to apply similar restrictions on the domestic output of the same products and accept a fixed ratio between the two groups of commodities.

Is this not a subtle way to perpetuate its dependence on unpredictable foreign supplies and expose it to the serious dangers of price disturbance and economic dislocation?

With these restraints placed upon a country like China, it amounts to saying that if the Chinese people want to consume a bowl of native rice, they have to get the permission of their Siamese neighbours. If they want to buy a pair of home-made shoes, they have to get the consent of the leather manufacturers and merchants in Argentina. And, if they advise their ladies not to waste China's meagre foreign exchange on imported perfumes, there is bound to be an outcry of cosmetic producers all over the world against such a counsel. Under these and many other crippling conditions, what chances are there that an under-developed country can achieve a minimum amount of economic stability and industrialisation?

In short, Mr. Chairman, the Charter in its present draft merely seeks to acquire and maintain for the advanced nations a series of markets which they either have no intention at all to develop or seem anxious even to prevent from developing. The results of such a short-sighted policy are too obvious to need explanation. For the sake of illustration, let us look at China's commercial history. China has opened up her Treaty ports to foreign trade for more than a century. Twenty years ago her import tariff averaged not more than 5% ad valorem; even to-day it averages only about 15% which is one of the lowest schedules in the world. She had never adopted any quantitative restrictions or exchange control before the war; neither had she resorted to any subsidy system or to import and export State trading. She has consistently abided by the so-called "Open Door" policy. Yet her share in the world trade has never exceeded 3% in volume. Why? China's door has been thrown wide open for the salesman; the salesman has

grand ideas about effective sales of a wide range of commodities ready for delivery. But the Mistress of the House simply cannot afford to pay for them and the deal is off. This shows how futile it is to devote over two-thirds of the draft Charter to devise schemes for keeping a market open, while overlooking the very important problem as to how to develop the purchasing power within that open market.

We were overjoyed at first to learn from the London and New York Reports that a Chapter on "Economic Development" had been added to the Draft Charter. On closer study, however, we have found to our dismay that while this chapter holds out high-sounding promises of financial and technical assistance to the under-developed countries, it seems to aim at doing away with every possible protective measure essential to their development, and binding their economic destiny with a set of watertight legal restraints. Such a one-sided policy simply will not work.

In conclusion, Mr. Chairman, I want to emphasise that the success of the proposed Charter depends entirely on a harmonized world economy. This harmony can never be built upon a number of crippled and harnessed national economies, which the present draft tends, consciously or unconsciously to create. It is up to all Delegations here in Geneva, as it was in London and New York, to exercise their wisdom to work out a judicious balance between the interests of both the under-developed and the advanced countries, in order to attain that economic harmony among all nations. Thank you.

CHAIRMAN: The Delegate of France.

M.LECUYER (France) (Interpretation): After the interesting and useful statements we have heard, the French Delegation would only like to add a few remarks. Nobody will be surprised if the French Delegation recalls that it was among the first to recognise the necessity for special measures to be taken in favour of young countries. It is almost unnecessary to repeat again that the progress of industrialization in the world, whilst raising the standard of living in general of the people, allows at the same time the improvement of international exchanges. These are ideas which were put forward at the opening of the present Session of the Preparatory Committee by the Chairman of the French Delegation, M. Andre Philip.

We are convinced that it is nobody's intention here to admit that the Charter should become a rigid instrument, the provisions of which would tend merely to regularise international competition and to provide guarantees for acquired positions. We must, on the contrary, strive that this Charter should be an instrument of economic and social progress. The French Delegation is highly interested in the attainment of this aim, but if the aim is clear its achievement is not easy, and particular importance must be attached to the methods which will be used, and it is necessary to measure the immediate and later consequences.

The French Delegation is convinced that so far the Preparatory Committee has moved in the right direction and that the provisions adopted by it are in conformity with the aim which it strives to achieve. Chapter IV is in this respect a solemn affirmation of the positive measures which are laid down in the Charter in favour of countries insufficiently

industrialized which seem to be equitable and efficient. In particular, the Charter in its present form, leaves really a great measure of freedom to Member States for the adoption of protective measures which may be necessary for their economic development; it is almost entire liberty as far as tariffs are concerned.

It did not, however, escape my attention, - at least basing myself on the statements which were made here in the course of the last few days - that the young countries have a tendency to draw a comparison between the conditions for the establishment of customs tariffs, and the provisions of Section C of Chapter V concerning quantitative restrictions, which is the subject of the present discussion. Mr. Wilcox explained his views in this respect in a most happy and striking fashion when he said that "in substance he could not conceive a Trade Charter which would allow the maintenance of quantitative restrictions." In fact what are these quantitative restrictions now? Nothing else than the consequences of the war and the monetary troubles which have accompanied and followed the war. Their persistence beyond a transitory period cannot be conceived otherwise than as a temporary means of avoiding the prolongation of grave dangers which unfavourable balances of payments bring to world trade.

We must not forget that one of the essential aims of Section C is precisely the progressive elimination of quantitative restrictions. Nobody is more in favour of their complete disappearance than the French Delegation. Their temporary maintenance within the conditions laid down in Article 26 does not correspond, and must not correspond, to the idea of a more or less disguised system of protection. They are only the application on the economic plane of the monetary system laid down in the Bretton Woods Agreement.

I am inclined to think, and I think that this idea should be acceptable to all, that customs tariffs are the only means which should be used in order to give protection to their economy by the States which are prepared to subscribe to this contract based on good faith which is our idea of this Charter. It was said that quantitative restrictions are the most practical means and the least dangerous means, of achieving protection, with regard to national markets. I must confess that certain French circles share this idea, but this ^{is} not the opinion of the French Government, which can invoke in this respect the experience acquired over a period of ten years, and I feel personally entitled to speak on this question, since I was in charge of the application of these measures, and we could in this way observe the fact that such a system, and in particular in the form of quotas, tended to a limitation of international exchanges, and in the opinion of the French Government is not the best means of achieving the contemplated aim.

I also know that some were surprised, in comparing Articles 13 and 26 to see that it was possible to have recourse to restrictions without previous consultation with the Organization, while this consultation is required for protective measures tending to facilitate economic development; but the two possibilities are very different.

As far as Article 26 is concerned, the aim is to protect balance of payments which is in danger. There is urgency, and any delay may bring about a catastrophe. On the other hand, the creation of a new industry cannot be conceived without previous studies of all kinds, and these studies may be carried on while the procedure laid down in Article 13 is applied.

In addition, I do not hesitate to say that in such a case the creation of an industry before consultation with the Organization would be a danger even for the State concerned. Can we imagine what would happen if, this industry being already created, the Organization should decide that this creation is not justified? This would represent considerable losses in capital and in manpower, and if, in order to avoid such consequences, the Organization should be tempted to approve the protective measure already taken, in that case there would be prejudice in respect of one or several other States. In one case, as in the other, international relations would certainly not be improved.

The French Delegation is thus inclined to think that, in the last analysis, Section C. should be maintained without any substantial alteration. It is not because we think that this Section is entirely satisfactory to the demands of industrialised countries which have an unfavourable balance-of-payments, in conformity with Article 26. But we must emphasize once more that

the whole of this text constitutes a transaction - a transaction which is far from being perfect, but which we have accepted in London because it was the best we could achieve.

I am afraid that if we try to modify the provisions of this Section, the whole of the five Articles will be again under discussion, and, if I can base myself on the statement of the Delegate of the United States, the whole Charter may also come under discussion again.

It was also said this morning that the Charter tends to favour industrialised countries. It seems that it was the Delegate of the Lebanon who expressed that view, but I hope he will allow me to say that I cannot share this opinion.

Chapter IV and Chapter VII of the Charter, for example, are not designed to favour industrialised countries; but there is also another side to the question. A failure to achieve this Charter would have deplorable effects for the whole world, but certainly those effects would be graver for the young countries than for old and industrialised countries: the latter would still have their resources to fall back upon.

The French Delegation considers that any improvement in that respect must be sought - and I suggest this view to other Delegations - not in an amendment of Section C. but rather in a revision of the provisions of Chapter IV.

CHAIRMAN: The Delegate of New Zealand.

Mr. L.C. WEBB (New Zealand): Mr. Chairman, I confess that I regard this debate as one of the most unfortunate and unfruitful that we have had in the course of this Conference. It has been held in three organs of the Conference; it has been presided over by three Chairmen, and many of those who are now participating did not hear its beginning. It seems to me that from the recent

it came into this Commission, it became a matter of wide and, I am afraid, somewhat provocative generalities and lost its direction and its purpose.

I would like to make it plain, Mr. Chairman, that as far as my Delegation is concerned, in raising this issue we are not seeking to give free rein to protectionism. Indeed, there are some respects in which we think that protectionism is given too free a rein in this Charter.

We are raising certain precise issues in connection with Article 13 - issues which we think deserve rather careful and precise and minute discussion. The provision in Article 13 for prior approval for certain measures of industrial protectionism raises in our minds two questions. The first question is: Is this provision consistent with what we have agreed to call here the balance of obligations in the Charter? The second question is: Is this provision for prior approval, as we have it in Article 13, administratively practicable?

Now, if we take first the question of the balance of obligations in the Charter, there are, it seems to me, two difficulties. The first difficulty is that there are greater opportunities in the Charter for agricultural protectionism than for industrial protectionism. I think that is a matter of fact. I think that some of those who have taken a very different line in this discussion from what the New Zealand Delegation has taken, are disposed to admit that, and that is a very difficult fact for those countries which depend mainly on their agricultural industries and are, at the same time, attempting some sort of industrial development to give a better economic balance.

The second difficulty we encounter when we consider this matter of balance of obligations is that if we look carefully at Article 13 and if we follow the implications through the Charter we find that its effect is, in fact, a curiously unbalanced effect. Article 13 means this: It means that for countries which prefer the method of subsidization of industrial protection there are no effective restrictions in the Charter, and there is certainly no question of prior approval. For those who prefer the method of tariffs, as long as the tariff concerned is unbound, there is no effective restriction on protections anywhere in the Charter, and I suspect that when we come to consider this issue of internal taxes as a protective measure, we are going to find that, for reasons which I will not go into now, there is no option but also to exempt internal taxes for protective purposes from this procedure of prior approval because, in effect, when you analyse it down, a protective tax is a subsidy in another guise, or can be made to appear so.

Now, what then is the justification for placing quantitative regulations as a protective device in a different category from any other protective device in the Charter? Now, Mr. Wilcox, who at one stage in this debate descended upon us in wrath rather like an angel of the Lord, told us that the reason was that quantitative restrictions is, of all devices, the most vicious. It was, if I remember some of his phrases, a sanctification of autarchy, an incitement to economic warfare. We were told that it destroyed competition, that it meant that goods were imported without regard to quality or price, and that it meant that every commercial transaction was the subject of a political bargain. Now, of course that admittedly is a serious matter, but I suspect that Mr. Wilcox

was using/^afamiliar controversial device and creating a monster in his own imagination and then slaying it, because, after all, practically all the countries which are now represented at this table are, at this moment, employing the device of quantitative regulation, and is it going to be said that they are all applying it, or even that most of them are applying it, in the manner suggested by Mr. Wilcox? I do not think that that is the case. I can say from experience that competition functions under the system of quantitative regulation; I can say that quality and price have their due place, and I can say that it is no more true than it is of tariffs that every commercial transaction is the subject of a political bargain. But even supposing that we admit that quantitative regulation is in some circumstances a worse device, from the point of view of world trade generally speaking, than subsidies and tariffs and internal taxes, it does not get us beyond one point which is the core of this difficulty.

I would say, and I think that most fair-minded people will agree with me, that in certain circumstances and certain economies the method of quantitative regulation is a better method of protection than any of the other methods we have been talking about-- and I say "better" meaning better in the interests of the country concerned and better in the interests of world trade.

It seems to me that those countries which find themselves in the position of being accustomed to use quantitative restrictions as a protective device and of finding it the best device for their own economies are placed in a very unfortunate position by Article 13, because here, for the first time in the Charter, we have a direct impingement ^{upon} / sovereignty. It means that some countries under Article 13 must go to the Organization and submit major issues affecting their economic welfare to the determination of an international institution. Now, if we are all prepared to do that

on equal terms, well and good, but I might argue here - and I think I might get some support for it - that, for instance, the device of subsidies, particularly export subsidies, is a device which has wrought a great deal of harm in this world, and I might propose that we should accept the principle of prior approval for subsidies, particularly for export subsidies. I know that that proposition would not be accepted, and the reason why it would not be accepted is just this: that the countries who use those subsidies know that they cannot accept a Charter which would involve them in going to the Organization and allowing the Organization to decide issues of really major importance. That is the real reason why we do not require prior approval in those cases.

I would ask those who are pressing this issue of prior approval now to consider the position of some countries who are placed in this position by Article 15.

Now I come to the second point which was raised in the early part of this discussion and which unfortunately has never once been touched on in the course of this Debate, and that is the question of whether Article 13 as it stands now is an administratively practicable Article. Remember the procedure under that Article. The Organisation is required, among other things, to judge the application of a Member for the right to set up a given industry under quantitative restrictions by certain criteria of productivity and by certain other tests. Now it is obvious to me that if that procedure is to have a chance of functioning, it must mean that the International Trade Organisation must come into existence immediately, with a staff of experts who are fully capable of taking hold of an application from a given country, examining it, establishing criteria of productivity and saying this proposal for an industry does or does not measure to those criteria; and the Organisation must be able to do that at once, because as soon as the Charter comes into force it would appear that all countries who use quantitative restrictions now for protective purposes, or who seek to set up some new industry, must come to the Organisation and get approval, and that means a flood of applications.

I do not believe that any international organisation is capable of doing those things immediately, or, indeed, until some years have elapsed - until a staff has been built up, until experience has been gathered, and until data has been collected.

I just cannot imagine that prior approval would work in those circumstances. Furthermore, how after all is it possible to decide whether a given industry, a given project, is justified by these objective standards.

There are many great industrial States represented here,

and I wonder how many of them would be great industrial States now, if every industry which they started by the method of protection had first been required to justify itself by certain objective standards of productivity. I do not think that we should seek the responsibility of prior approval for the International Trade Organisation. I do not think it can conceivably work, for administrative reasons. I think that it will immediately produce what we do not want to have, and that is a split between the under-developed and the developed countries. I think the jury is an unsuitable jury.

It seems to me that if we are going to look at this issue realistically there is in this Charter one safeguard against cases of protectionism - all forms of protectionism - and that is Article 35; and if the procedure in Article 35 works, then you have your safeguard, and if the procedure in Article 35 does not work, then the whole Charter does not work and you might as well forget about it.

Mr. Chairman, I feel, as I have said at the beginning, that this Debate has been unsatisfactory, because we have not really got down to the real issue, and I perhaps doubt whether this Commission is the right place to get down to it, and I would unhesitatingly support the suggestion of the Delegate for Brazil, that this matter should go back to the Sub-Committee which is dealing with Chapter IV.

We might agree, what so far has not been agreed, that this question is more appropriately dealt with in Chapter IV than in other parts of the Charter; and I feel that, late as it is in our discussions, it is better that the Committee should immediately face the question as to whether Article 13 in its present form does or does not present a practicable administrative procedure.

CHAIRMAN: We have still two more speakers on the list, and although the time is late I hope you will agree to terminate the discussion today. The first speaker is the Delegate of the United Kingdom.

Mr. J.R.C. HELMORE (United Kingdom): Mr. Chairman, I want at any rate to begin by agreeing with part of what the Delegate of New Zealand has just said. He has, I think, brought this debate back to the real issue which we have here discussed. I agree with him that it is unfortunate that there has been an attempt to high-light this issue as one/^{not}to achieve an objective but as a definite division between two classes of countries sitting round this table. I believe that is a totally unreal distinction between those two classes, and I am certain that, if we go on considering like that, not only shall we get nowhere, which may seem very unfortunate to us, but the consequences for world trade will be absolutely disastrous.

I can put my point very shortly. It is this, that unless we solve this problem, there will be every prospect that the world will fail to reach both these objectives, objectives at which it expects us to arrive. Those two objectives are: expansion of trade, and expansion of production, and I am absolutely convinced that you cannot have one without the other. If we divide ourselves into those who say "Expansion of trade is the only thing that matters", and those who say "Expansion of production is the only thing that matters", and still more if those two classes say "The expansion of our trade is the only thing that matters", and "The expansion of our production is the only thing that matters", then the world is in for a very serious trouble indeed.

I take up there a point made by the Delegate of Lebanon. He said quite rightly that there would always be sellers of capital equipment for industrial development. The question I think he

should also ask himself is whether there will always be buyers, because, if we reduce the volume of international trade by piling up restrictions of various kinds to a point at which countries wishing to acquire capital goods cannot acquire the exchange in which to pay for them, then all that will be quite useless and it will be very bad for everyone. But we have got to look at it in an entirely different way. That is, how can we see that the volume of international trade so increases as to enable industrial development and how can we see that industrial development takes place so that trade can expand.

Having said that, Mr. Chairman, I come back to the issue of protection for individual undertakings in the countries which wish to establish them. How is that to be done, and what are the tools that can be used, and what are the limitations which we should agree should apply to the use of those tools? I think, Mr. Chairman, that everybody must agree that complete freedom to use quantitative regulations, an easy amendment for which would be the deletion of the first sentence of Article 25, would do nobody any good. Nobody would be prepared to sign the Charter, everybody would be free to use whatever political and economic strength he had, to look after himself. The underdeveloped countries, and countries selling primary products, would find that the industrialised countries would use their strength to force down the prices which were obtained for the products they were selling to a world market. It does not happen very much now to the sellers' market, but anybody who thinks that the sellers' market is going to last for long, is deluding himself. The industrialised countries would find, in return once they had started, and there would always be something to start the process, that they were driven to restrict their imports and so we should find ourselves in a descending spiral. So, for my part, I assume that there is no question of the use of quantitative regulations, more or less, without mentioning that in the Charter.

We are driven to say to ourselves there must be some check on quantitative restrictions. Mr. Webb has just told us that he believes in a balance of sacrifice for a balance of advantage and that that is the way quantitative restrictions are clearly dealt with. He mentioned other devices where there is no infringement of national sovereignty, because the Organization has no power. I do not believe it. In Article 24, in Paragraph 3 of the New York Draft we read:-

"The Organization if it finds that a Member has, without sufficient justification, having regard to the provisions of the Charter as a whole, failed to negotiate with such complaining Member in accordance with the requirements of Paragraph 1 of this Article, may determine that the complaining Member, or in exceptional cases the Members of the Organization generally, shall be entitled to withhold from the trade of the other Member any of the tariff benefits which the complaining Member, or the Members of the Organization generally as the case may be, may have negotiated ... ", and then the Member complained against can leave the Organization. That seems to me to be a pretty definite and clear sanction in connection with tariff negotiations.

Take the case of subsidies, whenever one mentions the possibility of using subsidies for development or protection, one finds there are only two classes of countries; one which cannot possibly afford new subsidies; and those whose budget is so small that they cannot pay a subsidy anyway, but in that case there is still the sanction of Article 35.

Now we are asked why should the position of applying quantitative restrictions be slightly different? In other words, why should we have prior approval rather than the challenge of complaint, and so forth?

Here I am going to resort to the bad habit which I have caught from my neighbours; I will quote an example. There are certain drugs which are extremely valuable when used under proper control, but they are not generally on sale, and one has to obtain the prior approval of the doctor before using them. That seems to be exactly the case of quantitative restrictions. It has been said that quantitative restrictions are a very effective method, and to the extent that they are effective they can be dangerous, and because we recognize the danger to international trade and to the true interests of all of us, we say that quantitative restrictions must have a tighter system of control than less dangerous methods. That is why we feel that the present broad scheme of Article 13 was right and that prior approval should be sought.

In support of prior approval, I would like very much to express agreement with what the Delegate of France has said. Who is going to risk his capital and his time in setting up an industry on the basis that he will get protection by means of quantitative restrictions - and it may be perfectly right that he should - if he knows that the use of that quantitative restriction can subsequently be complained against, and is liable to be withdrawn? Obviously, it is necessary for people who are going to set up new undertakings to know

the conditions under which they will operate during the early years of their existence, and to know beforehand. If there is any virtue at all in some form of approval by the Organization, it means approval by the Organization beforehand.

We have had various arguments against prior approval, the first of which - and I think the real argument - is the danger of forestalment. If the United Kingdom, for instance, wishes to develop the manufacture of china dogs and puts in a claim

to the Organization for leave to apply quantitative restrictions in the earliest days of the manufacture of china dogs, it is highly probably the news would get about - - - even if it got no further than our near neighbours Norway, Belgium, France, and probably Czechoslovakia - and it is possible there might be a rather dangerous increase in the imports of china dogs into the United Kingdom while that application was under consideration. I do not believe it is beyond the wit of the Sub-committee in considering this question to offer a solution now; I think it is a thing which would be much better worked out in the sub-committee.

The second argument is that of the transition from the period of no Charter to that of a Charter with prior approval. What is to happen to the cases where this is being used at the time the Charter comes into force? Obviously, it is absurd to suppose that the Charter can come into force at midday on Sunday and by Sunday next all the applications will have come in and by Monday there will be approval or disapproval. That again is a point which the Sub-committee will have to solve.

The last argument against prior approval was the administrative argument, generally that this will mean too much work for the Organization. It seems to me that that argument applies equally against subsequent approval. If there are a lot of these applications and prior approval cannot be got in time, or cannot be got through the Organization, or will choke the Organization; then equally, if there are a lot of people who can apply later, subsequent approval will choke the Organization. That again is a practical problem for the sub-committee to work out.

For my own part I believe they have got to work it out on the basis of prior approval. I do not believe there is any other real solution to this problem. In saying this, I do not in the least fail to recognize the horrors from an administrative policy point of view, of the problems I suggest we should set the Sub-committee. I notice the Sub-committee is looking gloomier and gloomier as I go along, but I have a good deal of confidence in that Sub-committee. Therefore, I join with the Delegate of Brazil, who made a very statesmanlike speech on this subject, and with the Delegate of New Zealand, in saying this should go back to the Sub-committee with instructions to work it out on the basis of Article 13.

CHAIRMAN: The Delegate of Australia.

DR. H.C. COOMBS (Australia): Mr. Chairman, I do not want to say a great deal. First of all, I would say that listening to the debate this morning I have been grateful for two things. Firstly, I am grateful to the Delegate for China, who so kindly restored Australia's status as an under-developed country. Secondly, I am grateful for the descent from the ex capita doctrinal level to a more pedestrian level, on which I feel that most of our best work has been done.

If I may say, so as Chairman of the Committee on Chapter IV, I think the suggestion put forward first of all by the Brazilian Delegate and supported by the New Zealand and United Kingdom Delegates that the work on this quite difficult problem should be concentrated in the work of Chapter IV is an excellent one; It would enable the various sub-committees on Chapter V to get ahead with their work and, like Mr. Helmore, I have great faith in the human ingenuity at this Conference, and I do not doubt that a way will be found around these problems.

CHAIRMAN: I consider the debate is closed. To sum up in a very few words, the position seems to me to be that we have had two lines of thought expressed during the debate. One, that the integrity of obligations to be undertaken in the clauses of Chapter V must be preserved, the other, that means should be provided whereby certain countries may make use of protective measures for their economic development.

The issue tends to centre on the question of prior approval of the Organisation, and the opinion of the majority appears to be that the solution should be sought which will harmonise this principle of prior approval with the need of the countries concerned for further economic development.

I now propose that we adopt the suggestion made by the Brazilian Delegate and supported by the Delegates of New Zealand and the United Kingdom, and accepted by the Chairman of the Sub-Committee on Chapter IV, that the further study of the problem of economic development be concentrated in the Sub-Committee dealing with Chapter IV, in particular Article 13, and that that Sub-Committee should endeavour to arrive at constructive and practical proposals that might be acceptable to all of us.

CHAIRMAN: The Delegate of Cuba.

Mr. GUTIERREZ (Cuba): Mr. Chairman, the suggestion to pass this matter to the Sub-Committee on Chapter IV puts the Cuban Delegation in a very, very embarrassing position, because we have been very careful not to take a stand in relation to Article 13.

We at this moment have not decided if we are in favour of prior consultation or subsequent consultation, because we approached the solution of the problem in a different way by means of Amendments to Articles 25, 30 and 15 - Amendments to co-ordinate the different views expressed here. If these Articles can be properly amended, then we would not have any hesitation in accepting prior consultation; but if they are not amended we cannot accept prior consultation. So we consider it would be preferable having regard to the views expressed in the Sub-Committee on Chapter IV, to have a special Sub-Committee of this Commission A

to deal with the issue of Article 13 and the special connection of this Article with Articles 25, 30 and 15.

If it is not possible, then to authorise the Committee on Chapter IV to deal with these aspects of the relation of Article 13 with Articles 25, 30 and 15; and if that is not yet possible, I would wish to express my formal reservation to Articles 13, 25 and 15.

CHAIRMAN: I think the Cuban Delegate felt satisfaction in repeating the words of my proposal that the problem of economic development be concentrated in the Sub-Committee for the further study of the whole problem; so the Sub-Committee on Chapter IV will be invited to take into consideration the application of the problem all through the Charter.

The Delegate of China.

Mr. TUNG (China): The Chinese Delegation have no authority to go back to the Committee on Chapter IV to study and report again, but I understand there was appointed a Sub-Committee to study Article 25 under the Chairmanship of Mr. Suetens. Is it understood that Article 25 is going to go to that Sub-Committee on Chapter IV, or not?

CHAIRMAN: My intention is to follow the line already adopted by Mr. Suetens in the previous meeting to appoint a separate Sub-Committee dealing with Articles 25 and 27. But obviously such Amendments to those two Articles as relate to the question of economic development will go through the Sub-Committee presided over by Dr. Coombs.

The Delegate of India.

Mr. PILLAI (India): Mr. Chairman, I should like, if I may, to ask a question. Does the proposal put from the Chair mean that a decision has been taken on the question of prior approval?

CHAIRMAN: I have done it in this way, that I have given a personal resume of the discussion, and have said that it appeared to be the opinion of the majority that a solution should be sought which should harmonise prior approval with the needs of the countries for economic development; but it did not include that in the Draft Resolution I submitted to this Meeting. I thought that was entirely unnecessary. It is for everybody who reads the Amendments of the last three Sessions to make a list of those who are in favour of prior approval, and those who have their doubts.

Sir RAGHAVAN PILLAI (India): Mr. Chairman, our position briefly is this. If the question of prior approval is left as an open issue, we have no objection whatever to the matter being left to the Sub-Committee. If it is not so, we cannot possibly agree.

CHAIRMAN: The position in the Preparatory Committee is that we are aiming at unanimous decisions. Until we have arrived at those, the questions are always open issues, but I will say that the minutes of this discussion will show that there was a considerable majority in favour of prior consultation. But the question has not been decided yet, and I would very strongly object to any decision being taken in such issue, because, I repeat it again, we are aiming at unanimity.

Dr. A.B. SPEEKENBRINK (Netherlands): Mr. Chairman, you just mentioned the Sub-Committee on Articles 25 and 27. I remember that, at the last meeting, the question was still open because it was left to the Chair to appoint the Sub-Committee.

Mr. F. GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, it was said that Article 15 would also go to the Sub-Committee. Is it your view that Article 15, insofar as it deals with under-developed countries, should also fall within the competence of the Sub-Committee on Chapter IV?

CHAIRMAN: Yes. May I take it now that we all approve the formal proposal I made to refer the whole problem of economic development to Dr. Coombs' Sub-Committee? Agreed.

I have still to establish the Sub-Committee on Articles 25 and 27. As Mr. Speekenbrink has said, it was left to the Chair to decide, but I find, in the minutes of the last meeting presided over by Mr. Suetens, that India made a proposal, and I do not think I can do any better than repeat what he then said. He proposed that

the Sub-Committee on Articles 25 and 27 should be composed of the representatives of China, Czechoslovakia, United States, the Netherlands, United Kingdom and Norway, and on the proposal of the Delegate of Canada, the name of Brazil was added. As it was left to the Chairman to appoint the Sub-Committee, I do not have to ask whether you agree, but nevertheless, I would feel more happy if I could take it that you really all agree.

Mr. C.L. TUNG (China): Mr. Chairman, in the previous meeting, the Chinese Delegation proposed to add the Indian Delegation into the Sub-Committee, but this proposal was declined by the Indian Delegate. I propose today to add the representative of Cuba to take the Indian Delegate's place in that Sub-Committee.

CHAIRMAN: There is a difficulty. You know quite well that I would welcome the delegate of Cuba, but we already have seven Members on the Sub-Committee.

Dr. GUSTAVO GUTIERREZ (Cuba): Mr. Chairman, allow me to thank my Chinese colleague very much, but we prefer not to go on the Sub-Committee because we have too much work as it is, and secondly as there is a great majority of nations in favour of the elimination of quantitative restrictions, we propose that our Brazilian Delegate, who has come into the ranks of the developed countries, should take care of us.

Mr. J.G. TORRES (Brazil): Mr. Chairman, I would just like to say that, in spite of what the Delegate of Cuba has just said, we would be very happy to take care of the needs of the non-developed countries.

CHAIRMAN: Thank you. That terminates our work today, but I will make an announcement. All this has put a very heavy burden on the Sub-Committee on Chapter IV, and I have received information that we shall get more time to prepare, as the meeting scheduled for Monday has been cancelled, and the Sub-Committee on Chapter IV will meet on Wednesday at 10.30 in the morning.

The meeting is adjourned.

The meeting rose at 1.50 p.m.
