

UNITED NATIONS

NATIONS UNIES

ECONOMIC  
AND  
SOCIAL COUNCIL

CONSEIL  
ECONOMIQUE  
ET SOCIAL

E/PC/T/PV2/2

---

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

VERBATIM REPORT

SECOND MEETING

HELD ON FRIDAY, 11th APRIL, 1947,  
AT 10.30 A.M. IN THE PALAIS DES NATIONS, GENEVA.

M. MAX SUETENS - CHAIRMAN

CHAIRMAN: (Interpretation): The meeting is called to order. We shall now continue with the list of speakers and the general debate. The first speaker on my list is the first delegate of Canada.

HON. L.D. WILGRESS: (Canada): Mr. Chairman, we are gathered together in Geneva for the second session of the Preparatory Committee of the United Nations conference on Trade and Employment. A great responsibility has been placed upon the seventeen countries represented here and, like all the other delegations, the Canadians intend to play their part in making the second session a success.

It is fitting that we should be holding this conference in Switzerland, a country that has contributed so much to the cause of peace. Before the war Switzerland always worked among the first half dozen countries with the highest volume of trade per capita. Liberty and a high standard of living for the individual are combined. Here diverse racial groups have contributed their best qualities in a successful co-operative effort which we all might emulate, and it seems all together fitting that we should be meeting in this beautiful country to put the finishing touches to a Charter on International Trade.

The Canadian delegation, Mr. Chairman, is gratified that at this second session we shall continue to have the benefit of your long experience and your unfailing tact which contributes so much to the success achieved at the first session. We combine great encouragement in the large measure of success that has been achieved so far. I have been reading over the opening and closing statements made on the occasion of the first session held in London towards the close of the last year. I have been impressed by the spirit of optimism revealed in the opening statements and by the general note of satisfaction on which the session terminated.

This satisfaction was fully justified. The delegations represented on the Preparatory Committee approached the problems confronting them in a spirit of compromise and good will. All points of view expressed were carefully considered and discussed. The task had been facilitated greatly by the commendable initiative of the United States government in drawing up the draft of a Charter as a basis for discussion, but the draft Charter that emerged from the deliberations of the first session represented a considerable advance along the road to the realization of an International Trade Organization. It embodied a substantial measure of agreement among all the Members of the Preparatory Committee. It incorporated many of the ideas evolved out of the discussions at the first session and provided for the solution of problems that at one time appeared difficult of solution.

Since the meeting in London the work has been carried further along the road to success by the admirable work of the Drafting Committee which met in New York during the winter. They have put refinements to what was done in London and have even gone some distance to fill in some of the gaps that could not be attended to in London. They have brought us up to the final stage in the work of the Preparatory Committee upon which we are now to embark.

This stage will not be an easy one. There are further obstacles ahead just as there have been obstacles to be surmounted on the road we have traversed so far. The Canadian delegation is confident that these obstacles too will be surmounted successfully if we continue to apply to our tasks the same determination and the same spirit of compromise and good will that have characterized the proceedings of this Preparatory Committee up to now.

E/PC/T/PV.2/2

At this session we shall have to embark upon the laborious task of negotiating mutually advantageous tariff concessions. This will be the first occasion upon which a multilateral trade agreement has been attempted on this scale. The very magnitude and unique character of our task demand vision, patience, and continuous co-operation but also should provide the incentive to an achievement that will be of lasting value. It is in this spirit that the Canadian delegation proposes to enter into this phase of the proceedings of the second session - a phase that may not be spectacular in its character but will involve much detailed and painstaking work.

In considering the granting of tariff concessions we must not overlook the restrictive character of some forms of customs regulations. A reduction in a rate of duty would be of little practical significance if too great latitude was still left with the customs administration of the importing country to impose restrictive regulations on the importation of the goods in question. Let us, therefore, direct our attention to the liberalization of customs procedure at the same time as we are discussing concessions in respect of rates of duty.

Besides bringing about a multilateral trade agreement this second session of the Preparatory Committee has to complete the drafting of the Charter for the International Trade Organization and to prepare the ground for the holding of an international conference. This conference of all the United Nations, we hope will confirm all that the Preparatory Committee has done and is about to do at this Second session. That will be the last stage on the road to bringing into being the International Trade Organization.

It is difficult to exaggerate the importance to the world

of such an organization. It will play its part in the field of trade comparable to that played by other specialized agencies of the United Nations in other branches of international economic co-operation. It is indeed the keystone of the arch of international economic co-operation without which the two bases - the International Monetary Fund and the International Bank for Reconstruction and Development - would be left incomplete and unable to fulfil effectively the functions for which they were established. We have only to think how valuable it would have been if we had had an organization of this kind established when the economic blizzard struck us nearly two decades ago. Since then the war has brought further complications into the whole basis of international economic relations. If trade is to function with smoothness in the future it is essential that there should be a body through which international co-operation can be effective. If this is not the case the attainment of higher standards of living for the individual is impossible.

Never before have the problems of international economic co-operation been approached in such a comprehensive manner. The attempt to find solutions on a piece-meal basis has been one of the reasons for failure in the past. The achievement of an expanding volume of trade and rising standards of life throughout the world call for effective international co-operation in respect of each of the important phases of economic policy concerning employment, economic development, commodity arrangements, restrictive business practices, state trading, customs administrations, as well as the level of the more direct barriers to trade. One of our principal tasks will be to maintain the consistent purpose throughout this wide and complex field of international collaboration. While we

should, as far as possible, seek to accommodate the differing situations and the legitimate aspirations and needs of the various nations of the world, we must not, on the other hand, resort to expedients and indulge in incompatibilities which would destroy our general objective.

No country in the world has a more vital interest in the success of our deliberations than Canada. We have been blessed by nature with an abundance of natural resources which the industry and skill of our people have developed to create surpluses of which the whole world stands in need. From our prairies, our mines, and our forests, from our farm lands, our orchards, our fisheries and our factories we are producing commodities far beyond our own requirements which we desire to exchange for the products of other countries. It is only through the co-operation of other countries that we can assure our people of a better way of life by exchanging our surplus products for those surplus to other lands. In this way also we can make our contribution to a better way of life for the people of these lands.

Canada has stood for the fullest possible co-operation between nations to assure the maintenance of international peace and security. Co-operation in the political sphere would be of little avail if there is not at the same time economic co-operation between nations. We therefore, look upon what we are doing here as the culmination of a whole series of efforts that have been made since the signing of the Atlantic Charter to give full effect to the principles enunciated in that Charter.

All forms of co-operation between nations conflict to some degree with sovereignty. This is so whenever any two countries conclude any sort of agreement with one another.

The world is becoming smaller as new forms of transport are developed, and each decade increases the complications in international relations. This situation necessitates co-operation among nations and there is no field in which that co-operation is more essential than in that of trade. There must therefore be a spirit of give and take and a mutual readiness to accept sacrifices to the degree necessary to achieve that measure of co-operation among nations that is required for the good of all nations. It is with these thoughts in mind that the Canadian Delegation is anxious to make its full contribution towards the success of this Conference. This is the unequivocal mandate which we have received from our Government.

CHAIRMAN (Interpretation): I call upon the first Delegate for China.

H.E. Dr. WUNSZ KING (China): Ladies and Gentlemen, after a recess of six months we meet here to-day in Geneva for the purpose of completing the Draft Charter of which certain provisions have been agreed upon. In addition to this important and difficult task, we are also to start multilateral negotiations on tariff reductions and a discussion of related matters so as to implement one of the principles embodied in the Charter. Never before has such an attempt been made on such a scale, although suggestions of multilateral negotiations for tariff matters were made at the international conferences after the first world war. In regard to this aspect of our work, some people would like to lay emphasis on the importance of bringing about a general state of economic stability prior to making any attempt at the lowering of tariff walls, while others tend to take a different view. Mindful of the disastrous consequences in the economic field during the decade following the termination of World War No. 1, they feel that no time should be lost in endeavouring to make the necessary tariff arrangements which would in turn, it is hoped, help to put right economic chaos and dislocations caused by the war.

The Chinese delegation attaches equal importance to tariff negotiations and the drafting of the Charter as a whole, but if our delegation feels able to associate itself with the new school of thought by which tariff disarmament, if I may be permitted to coin this new term, should precede the stabilisation of general economic conditions, it is only because we believe that the new experiment will be made on no less than three assumptions .

E/PC/T/PV.2/2.

In the first place it is to be assumed that the sellers' market will shortly shrink and the conditions of acute shortages will soon improve; for otherwise the channel of trade will continue to be blocked as it has been blocked not so much by tariff walls as by the lack of means of payment. But it is likely that these conditions will persist during the life of the general agreement on tariffs. It follows, therefore, that countries with the sellers' market at their command and with terms of trade in their favour under these conditions and with manufacturing industries geared up to full production should have a greater share or responsibility in bringing about the successful conclusion of these negotiations than have the other countries.

Secondly, it is also to be assumed that the concessions to be made and gained will balance each other. In this connection, however, we must realise that in balancing a scale, the weights used are not of uniform size. It is our view that the yard stick should be such as will measure not only the mutual benefits which the negotiating parties will have from the bargain, but also the extent of sacrifices a country makes in relation to its stage of economic development. Other factors which we have to take into consideration in weighing the scale should include among other things the low level of existing tariffs, the degree of recovery from war devastation and the severity of economic dislocation.

Lastly, it is also to be assumed that the tariff policy which we are pursuing is an integral part of the plan for the re-establishment of an expanding world economy. Whether the tariff policy will lead to an expansion of world trade depends to

E/PC/T/PV\*2/2

a large extent upon the progress we can make in other directions. It is obvious that, with the festering wound of war devastation on world economy still unhealed, our hope for an expanding world trade will be, I am afraid, short-lived. It is equally obvious that the expansion of world trade will be greatly accelerated by the pace with which industrial development is realised in a number of countries. Industrialization is a process which will take its own course, whether aided or unaided, but with international investments and other forms of international assistance, this process can be quickened. Of course, I have to content myself with the reasons which are closely connected with the questions of economic stability. It goes without saying that this stability is intertwined with that of the general political situation.

It is the view of the Chinese Delegation that, since we are to project into the future an agreement to reduce trade barriers and since we cannot foresee at this moment all the factors which will contribute to the successful operation of such an undertaking, the tariff arrangements which we are making should in no case run for more than three years, as had been suggested, so as to afford an opportunity to the signatory parties to re-examine their position in the changing circumstances during the interval.

M. le President, if I refrain from dealing with those aspects of the Charter other than tariff matters, it is because these matters will be the immediate concern of this second session of our Committee, and I wish to assure you, Ladies and Gentlemen, it is certainly not because we, the Chinese delegation lack interest or enthusiasm of the Charter or the future ITO. On the contrary the Chinese delegation is second to none in wishing to see our efforts crowned with success, so that the way will be

cleared for the calling of the proposed international conference on Trade and Employment, and the foundations laid for the creation of the new international organization. Let us hope therefore that animated by the same spirit of understanding, co-operation and good will in which the proceedings of the first session of the Preparatory Committee at London, and also of the Interim Drafting Committee at New York were conducted, this second session will not fail to achieve the purposes for which it has been convened.

Ladies and Gentleman, I am sure I am only interpreting the feeling of this gathering when I say that under the wise and able leadership of our Chairman, M. MAX SERRENS, who is the embodiment of wisdom, tact, and last but not least, has a sence of humour, and in collaboration with all the members of this Committee this Conference cannot and will not fail.

E1

E/PC/T/PV2/2

CHAIRMAN (Interpretation): I call on the Delegate of France.

CHAIRMAN: (Interpretation): The meeting will be adjourned immediately after the interpretation of the French delegate's speech has been given. The afternoon meeting will start at 3 o'clock today with the speech which is going to be given by Sir Stafford Cripps.

M. ANDRE PHILIP: (France) (Interpretation): Mr. Chairman, ladies and gentlemen. The task upon which this conference is now engaged was undertaken on the initiative of our friends from the United States. Even before the war was over President Roosevelt thought before anybody else of the need of preparing conditions which would allow of world economic unity and which would make possible the basis essential for international peace. Even in the first Lend Lease Agreements which his administration concluded, economic clauses were foreseen which were later taken up in the draft which our American friends submitted, and which was studied by our conferences both in London and later re-drafted in New York. Our American friends understood that the political solidarity which they pursued throughout the work between various nations, must rest on the basis of an economic unity established in the economic field. They understood that even the very wide home market of the United States was not sufficient for them. They understood also that for their own very prosperity the United States must develop and increase and improve economic bonds with other countries and their commercial relations with outside countries. From the very start France gave its unqualified approval to such a policy and we took steps which were reassumed recently in May 1946 in Washington between Secretary Byrnes and President Leon Blum. In London we also expressed unqualified approval for that new policy which meant a return to

bi-lateral trade in the world and to an ever increasing volume of international exchanges. We realise of course that the task which we have undertaken is a very long one. The world is now in a state of economic destruction. Even before the war after the crisis through which we had gone, we went through a period of protectionism and autarchy which not only separated national economies one from the other but also set up one country economically against the others. Experience has shown that such a policy could only lead to a general lowering of a standard of living, to an increase in the poverty of everybody and to economic difficulties of all sorts which were in their turn bound to lead to political friction and thereby create a serious danger for the world's peace. We are now in a position when we must rebuild the world with what fragments are left. We realize that it is only step by step, stage by stage that we can slowly move towards the economic unity which we want to reach.

From the very start France agreed to that policy because that policy is a very condition of its own existence. We import a very large quantity of the raw materials which we need for our industry. One third of the coal we burn, all the oil, 90% of non-ferrous metals, a very large proportion of cotton, textiles, wood paste etc., and much of that comes from overseas countries. Therefore, we must export similar quantities of values so as to reach a satisfactory balance of payment.

Now, the very geographical position of France makes it the natural intermediate between countries from across the Atlantic and countries in Europe. Here after what we have done in London, we are going to face two different tasks. First of

all we want to bring down as much as possible tariff barriers and second we want to prepare a draft possibly a final of the Charter of our organization. Those two tasks are really closely interdependent. We cannot meet the requirements of the Charter if all nations do not bring about real substantial and permanent reductions of their own tariffs as compared with those obtained before the war. Similarly if we do not bring down such tariff barriers we shall not be able to reach a satisfactory balance of payment and therefore the Charter cannot actually be put into effect. Also if we do not bring the tariffs down to a sufficient extent, if we cannot agree on the very basic concept of international trade as we view it, if we cannot subscribe to mutual obligations such as those that are at present envisaged, we shall never be able to reach effective co-operation. We must realize further, that the abolition of barriers and obstacles, even to a very large extent, will not be<sup>enough</sup> because if we were content with that we should merely come back to the old system of free trade which leads us again into the periods of prosperity and the depressions and slumps with which we were so familiar before the war. Therefore it is necessary that in addition to the minimizing of those obstacles and barriers we should simultaneously create international bodies and build the practical basis for economic co-operation.

H.

This of course we all realise must be done by successive stages. Our world has now been thrown completely out of balance. It is at present split into all sorts of fragments which differ widely from each other, but we must attempt loyal and effective co-operation. This was clearly understood by those of us who sat in London and New York and we all realise that from the very start we must agree on some relative equivalence of the conditions of production so as to lead to an equivalence of fair competition. We must for that take into account not only the conditions of countries whose economies were practically destroyed but must be reconstructed but also those new countries to which our Chinese colleague alluded and which have to build up their own economic system anew. France, and that also applies to many other countries in Europe, is in a condition which we know to be non-permanent, to be passing, but which must be taken into account. Our economy was wrecked, our industry was destroyed, not only through the fighting which took place on our territory and through the bombing to which we were subjected, but also because our industrial plant is very largely obsolete; not only was the material not properly kept in good condition but it was also not replaced and kept up to date. We also suffered from having been isolated for a number of years from the outside world. For those countries which are in the same condition in which we are ourselves, it is absolutely necessary that some plan should be adopted and put into practice for reconstruction and re-equipment of our industry. Since the French territory was liberated, our country has made an effort, which is probably without precedent in our history, for rebuilding our industry and for bringing it up to date. This of course entails very heavy sacrifices for the bulk of our population, since our industrial needs had to be taken care of, with priority over consumer goods and the raising of the actual standard of living. For those reasons,

it is necessary for us that for a period to come we shall still have a definite programme of imports and a definite programme of exports to balance them. We must choose what we are going to import so as to bring our equipment back into shape as soon as possible and we must export whatever products may be acceptable to those countries from which we import the material we need and this must go on to some extent until we have reached more or less lasting equilibrium in order to balance payments. This same condition applies also to other countries which have to be rebuilt and reconstructed. It applies also to those new countries which have to build up their economy anew. Of course we all realise that there no longer is at present the hard and fast line with which we were familiar between importers of industrial products and exporters of the same products. Now all countries are either actually or potentially industrial countries and the exchanges of industrial products must be considered on an entirely new basis, but there is a need of a sort of transitory period for such cases, during which we must determine, according to our own needs the conditions of production and the conditions of our own trade. During that period a few unavoidable preferences have to be respected. For instance, in the case of countries which, although geographically distant, are very closely bound economically because they are also bound politically, imperial preferential treatment must be respected for some time to come. As a matter of fact, we must realise that a general world improvement can only be made possible if we respect the existing economic bonds between countries with which we are politically tied together, and we should not attempt to break up those bonds, to break up existing units for the sake of getting more rapidly into a world wide organisation. In the French Union, where we have such bonds, with due respect to the needs and privileges of local units inside that Union, we must realise that those

bonds must be kept for some time to come, although arranged in such a way of course as not to be prejudicial to trade with outside.

To sum up this particular point, we must confirm that principle of imperial preference but we must reduce the volume of its application.

I want to say a few words now on the problem of bilateral agreements. Of course we all realise that multilateral agreements are more preferable and that our final ultimate aim must be world wide agreements, in which all countries are included. But the experience acquired during the last two years has shown us that with the world in its present condition it is not bad to start by making up fragmentary agreements and it is in that spirit that France has concluded arrangements with Belgium, with Switzerland, with the Netherlands, with Sweden, in order to rebuild trade currents which existed before the war and which are still absolutely necessary. The results of those agreements are that the volume of goods exchanged between the signatory countries has gone up substantially. We should therefore be very careful not to hamper the application of the development of such agreements to any extent and France hopes to conclude similar agreements soon with other countries.

We must realise that any widening of an existing customs union and any widening of existing markets can only be helpful for international exchanges as a whole, and the French Delegation hopes that in the final text of the charter provision will be made to respect customs unions in process of formation or development and that they will be allowed to grow until the fruit is actually ripe and becomes palatable for everybody. This same remark applies also to international agreements. Before the war we had a number of painful experiences with those agreements and we felt that in many cases they followed a Malthusian policy, in a decrease in

production and increase in obstacles put in the way of foreign trade. The United States will certainly remember the bitter experience they had in that respect and they are certainly keen to prevent a repetition of such experiences. The French Delegation feel that such agreements, however, can play a useful part and that to a certain extent they may compensate the too narrow markets from which certain small countries suffer. We should not, as a matter of principle, oppose any intermediary stage between the national economic unit and the world-wide unit which we are aiming at, but we must take certain precautions. We may ask, for instance, that full publicity should be given to such agreements. We may oppose any abuses to which they might lead. We may ask that a measure of international supervision should be set up and also make sure that such agreements, with a view to reaching a collective international policy, have not only the advantage of private entries to whatever they are.

I want to add a few words on the necessary liaison which will have to be established between the new organisation we are setting up and the other world economic organisations. That was provided for already in the Treaty of Versailles, which in Part B3, setting up the International Labour Organisation, stated very clearly that labour was not to be treated as merchandise and that conditions have to be provided for which would allow for satisfactory labour conditions and fair competition. Now we have not only the I.L.O. but we have the Food and Agriculture Organisation and a number of others which either have been set up or are now being organised. We certainly believe that the one which we are setting up here should be given its due importance and should be given whatever economy may be necessary for it so that it can play a very positive part in the establishment and improvement of international economic relations. That co-operation must be regular, continuous, and effective between all nations, so as to lead to the desirable and

desired increase in permanent international trade. On the other hand, we must realise also that many countries have now found it necessary to prepare national economic planning but perhaps that sort of planning should not be exclusively on a national basis. France, for instance, which has had to resort to planning, has opened relations on that very subject with Great Britain and explained fully the French plan, with a view to trying to harmonise it with the corresponding plans in Great Britain. In Europe, in its present dilapidated condition, such plans may be needed in a great many countries, but we must see to it that those plans are not drawn up absolutely independently from each other but that they are orientated in the same spirit and that in each one due account is taken of the conditions of the other. Similarly, our organisation must certainly lead all nations towards more intensive international exchange, because we want to prevent those periods of depressions and slumps which periodically followed, before the war, periods of prosperity, and unless we prepare for some common action now we cannot take any decisions which would be of a permanent character, as all the bodies which we could possibly set up would simply fade out if we came into a slump such as the ones through which the world went in 1929. We must plan right now some common effective positive co-operation through international bodies and we must <sup>make</sup> immediate provision for the calling of an international conference should conditions arise similar to those which led to the 1929 slump, so that we can take common action. For that reason it is necessary that the permanent body which we are setting up should be open to all countries and should also gain the confidence of all nations. Here we are working on very divergent bases in our respective countries. The economic structure of our countries is very different and would seem to be in direct opposition to each other, but we shall succeed in our efforts here exactly in the

measure in which we can prove that countries working on that collective economy - those with a liberal economy, those with a planned economy - can work together and co-operate in their trade policy because they have one aim which is common, which is world-economic unity, the prerequisite for reaching an increase in the standard of living for all and which can provide the only possible basis for international peace.

VICE-CHAIRMAN: The Session is adjourned.

The meeting rose at 12.30 p.m.