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OF THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

VERBATIM REPORT

THIRD MEETING

HELD ON FRIDAY, 11th APRIL, 1947
AT 3 P.M. IN THE PALAIS DES NATIONS, GENEVA

M. MAX SUTENS (Chairman) (Belgium)

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CHAIRMAN (Interpretation): The next speaker on my list is

Sir Stafford Cripps, head of the British delegation.

SIR STAFFORD CRIPPS (United Kingdom): Mr. Chairman, we have come together at this meeting, after considerable preparation, with the object of taking a very definite step forward towards the sound and secure organisation of the economic future of the world.

It was while we were still in the middle of the great war that many of us became convinced that a new economic international organisation was absolutely vital for the future peace of the world. It was then that the design upon which we are now working first found its expression.

Many of us have had a vivid experience of the tragedies which beset the world during the years between the two wars, and the slow but inexorable drift which led us into the ghastly experience of the second world war. It was these experiences of the misshandling of the world's economic problems in the inter-war years and their influence upon the coming of the second world war that strengthened our convictions that some wiser and better organisation of international and economic relations was urgently necessary.

You will perhaps allow me therefore to say a word about the wrong policies in the years between the two wars, since we may learn much from those mistaken policies.

For almost fifty years before 1930 world output and standards of living had - with the exception of the war years 1914-18 - been steadily rising. In 1929 it might have seemed that the world had almost completely recovered from the set-back of the first world and that we were once again marching forward towards a prosperous future.

But by 1932 we all found ourselves in a world depression of unexampled severity with heavy and wide-spread unemployment.

In the following years though a considerable degree of recovery seemed to have been achieved, it was only at the cost of great deterioration in international economic relations and an alarming growth of trade barriers.

The volume of international trade never recovered its pre-depression level although world output in 1937 had reached 30% above that of 1929. In those years immediately prior to the second world war the decreased unemployment was due to no small extent to the rearmament policies in many countries.

Why was it that the world suffered from this great depression and failed to recover from it?

I think the first answer to that question is because we all failed to appreciate sufficiently the direct relation between international economic policies and the danger of war. We imagined that we could each deal with our own economic problems without regard for their effect upon the economies of all other nations. We looked at them as internal problems affecting primarily our own economies, and so we failed to appreciate the disastrous effects that the totality of all these national policies might have upon world trade as a whole, and so upon world relationships.

It was not, indeed, until each of us felt the repercussion of other nations' economic policies upon our own national position that we realised, when it was already too late, that we had all of us allowed ourselves to be driven into policies which in the aggregate were fatal to our own prosperity.

Instead of combining to raise the volume of total world trade so that we might each have a share of that larger total, we competed with one another in devices to restrict the total volume of world trade and then fiercely competed with one another for a greater share of that smaller total. Once demand started to fall off with growing unemployment in many countries we tried by successive steps of restriction each to protect our own national economy against the impact of world unemployment with ever-worsening results. Since a consistently adverse balance of payments could not be restored by competitive devaluation, and since the adoption of a policy of deflation meant increased unemployment, the only solution appeared to be to impose tariffs or quantitative control so as to discourage imports while in some cases in addition subsidising to encourage exports. Exchange controls were imposed to guard against undesirable movements of capital and to help in the control of current trade. Primary producing countries, which suffered particularly from the lack of all stability in the prices of primary products and from the tendency to an undue increase of agricultural protection in the importing countries, were driven to accelerate their natural industrial development at high cost and behind raised tariff walls as an alternative to dependence upon an unstable and restricted market. Producers' restriction schemes to maintain prices stable in limited markets were similarly encouraged.

Towards the end of the '30s there was some reaction from this ever growing trend towards throttling world trade. But the barriers still remained very high and the world thus found itself being largely deprived of the benefits which new and improved methods of production should have provided for its peoples.

Though we had discovered that in our own national economies the division of labour and the development of specialisation had led to an increase of real wealth, we behaved as though exactly the opposite policy could be adopted as between nations without adverse effects. The nations were tending in the direction of autarchy and self-sufficiency. We must therefore realise, Mr. Chairman, that the prosperity of each nation depends upon a world policy of trade expansion to be based upon an extensive international division of labour.

Our objective therefore is to promote the expansion of trade in the future and as a start to secure a reduction of those barriers to trade with which countries have in the past surrounded themselves. But we recognise that, if, in spite of our efforts, untoward conditions should recur, we must provide by international agreement less harmful and more certain means of protection than were used in the past. It is important to note that in the Draft Charter of the International Trade Organisation the members pledge themselves to work for full employment through the maintenance in all countries of high and stable levels of effective demand and real income. This recognition by Governments of their responsibility for pursuing domestic full-employment policies will, if carried into effect, reduce the danger of a future major depression. But if such a depression should develop in one country, the Draft Charter provides the means of restricting its effects. With this and other safeguards in mind there is no need for any country to feel that it must be permanently deprived of the real benefits of international trade in order to protect itself from the effects of depressions occurring outside its own borders.

As I have said, we must all avoid, at all costs, the mistakes

of the inter-war period. I can assure you that the United Kingdom is conscious of her responsibilities in this matter. In some ways she stands in a special position. Not only is she by long history one of the world's greatest trading countries but she is also a partner in a Commonwealth of Nations having a special relationship towards one another. In the task which lies before us, this special relationship must, of course, be an important consideration. Much has been said of preferences within the British Commonwealth, though it is as well to remark, Mr. Chairman, that others also employ the preferential system. The Commonwealth, I need hardly say, was not born out of the preferential system nor does that system derive from a political relationship. It is an expression of an economic fact. The economies of the United Kingdom and the other Members of the Commonwealth have grown up to be inter-dependent. That is factual and historic. Our Commonwealth economy has been subjected to the most violent stresses and strains in the past three decades during two world wars, but thanks to its stability we have been able to stand fast to save ourselves and others through these critical periods.

If there is one lesson that all nations should have learned it is that of interdependence. The Commonwealth is a family, but so too is the world, a larger family, economically as well as politically. The world family must be the poorer if any one of its members fails, and it would be the poorer politically as well as economically if there were any failure on the part of ourselves or our partners in the Commonwealth.

In a high degree the economic vitality of the United Kingdom which is so important to others as well as herself, depends upon the traditional economic ties and channels of trade which have long linked her with certain other nations. But as with

individuals so with nations, there is no need for a special relationship to be an exclusive relationship. And that does not apply to the Commonwealth alone. A special relationship is, we believe, healthy, only so far as it is not exclusive but makes for the strength and stability of the world as a whole. Without our trade with the Commonwealth countries it would be quite impossible for us to maintain our trade with the rest of the world; just as without our trade with the rest of the world we could not possibly maintain our trade with the Commonwealth. The two are complementary. Thus we all have to reconcile two economic facts. One, the value of the stable and traditional channels of trade, more delicately balanced than some seem to realise, judging from the suggestions for its "direction into new channels" at short notice. The other the need for development and change in the interest of progress. If we are to attain success we must take full account of both those factors. We must neither be destructive of the trade which exists, nor content with trade as it is now. We of the United Kingdom want to maintain our trading relationships with our fellow members of the Commonwealth as also with other countries in the world. But we hope too to develop our trade relationships in new channels which will add to the total flow of trade to our own advantage and to that of others.

I recall, Mr. Chairman, that at the opening meeting of the Preparatory Committee in London last October, the delegate of the United States observed that if the trade of the world were to be governed by rules the opposite of those contained in the suggested Charter, the United States would deeply regret it, but could adapt itself to the resulting situation. Other nations, he said, were less fortunately placed. For the United States the strangulation

of trade would necessitate a difficult readjustment; for other countries it would spell catastrophe. While we in the United Kingdom would question that the failure of this grand attempt would spell catastrophe for us, we would agree that it would mean a lower standard of life, a giving up of things we had hoped for and a withdrawal from the wider economic life of the world into a more limited circle. That would be most unpleasant for us, but I believe that such a result would be even more unpleasant for others. With our large population and small country we must remain one of the world's greatest importers. In other words, the prosperity of our country means the maintenance of effective demand for the products of many others. If the Charter were not to give us the opportunity we need, or if the whole project were to fail, then I suggest that the inevitable contraction of our powers to import, would be felt everywhere in the world. The rapid change of the United Kingdom from a creditor to a debtor nation is in itself a potent reason for a readjustment of world economic relations. Another factor is of course the development of the creditor position of the Western Hemisphere, particularly of the United States of America. It is the hope of all of us, not that the United States will have to face the difficult readjustment of which Mr. Wilcox spoke, but that by maintaining a demand which can be freely satisfied from the products of the rest of the world, the U.S. will make it possible for all of us to succeed in this great new project.

We are attempting a task of greater complexity than ever before has been attempted by international agreement. But we come to it with much of the groundwork already prepared. Our object is to play our full part and it is, as we know from our experience between the two wars, a vital and essential part, in bringing peace and happiness to mankind. We must succeed, as indeed we can, if we are imbued throughout our discussions with a deep sense of our responsibility to the peoples of the world and determined, as I am sure we all must be, so to organise the future economic relations of the world as to make available to our peoples those ingenious and remarkable human inventions and discoveries which have all too often in the past been used for our mutual destruction instead of for the building up of a better and happier civilisation.

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CHAIRMAN: (Interpretation): I call upon the representative of the Union of South Africa.

Dr. J.E. HOLLOWAY: (South Africa): Mr. Chairman, I shall try very briefly to define the general attitude of the South African delegation to the problem confronting this conference without making any attempt to go into details.

The South African economy broadly speaking is spread over three fields. There is, to start with, the large gold mining industry. There is, secondly, the important group of primary industries, agricultural, pastoral and mining, which produces raw materials largely for exports. There is thirdly the group of industries primary as well as secondary, which produces chiefly for home consumption.

The interests of these three groups in international trade are naturally divergent. The first two must of necessity regard a free flow of international trade as vital to their existence. The third is much more closely interested in the amount of shelter which it may be able to obtain from the severe competition of countries more richly endowed for the production of consumable goods at low cost than is the Union of South Africa.

In shaping its economic policy, the Union government must give due regard to these conflicting interests. It must therefore of necessity follow a policy of careful balancing. It cannot be ultra free trade, it cannot be ultra protectionist.

Far be it from me to suggest that we have not in particular cases imposed individual high duties. We are not free from guilt but the net effect of these fundamentals of the position, which I have enumerated, has been that the general level of duties is moderate, and as long as these fundamentals remain unchanged the

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average level must perforce continue to be moderate.

It could of course be argued that the emergence of the third group is itself one of policy. That is so. But that policy was dictated firstly by the consideration that South African wants to be something more than a mining camp and by the fact that we could find employment for all the classes of our varied and motley population only by developing that group.

In approaching the problems which face this conference we must be both humanitarian and realistic. Dr. Coombs referred yesterday to the differences in the economics of different countries. Among those varying economics it is essentially unrealistic to grudge a place for industries even if the country in which they are located is not as well favoured for their exploitation as others are. And it is certainly entirely unhumanitarian to deny a chance of making a living to populations to whom even the poor consolation of freedom of migration is denied.

These considerations have particular cogency in the Union of South Africa where a small civilized population has the task of advancing step by step, in an orderly march to civilization, another people three times as numerous, the great majority of whom have not emerged above the level of primitive life.

Some measures of protection of industries has therefore in the past and must in the future continue to find a place in our scheme of things. It is our view that the highly developed industrial countries would derive more benefit from the increase in the production of income from particular types of protected industries in under-developed countries than they would secure if they had complete freedom of access to the markets of such undeveloped countries for lack of opportunity the latter must inevitably remain poor and therefore bad markets.

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In our case therefore we are following a policy of developing the country as a composite whole and we suggest that the development of the economic resources of the world as a composite whole might well be the wisest policy in the long run for the IFC to follow.

While therefore the maintenance of the balance, which our economic structure demands, makes it essential for us to continue using the weapon of protection it also makes it essential to use it in moderation. The minister of finance stressed this recently in the following words: "It must be emphasised that industry and agriculture must be prepared to sacrifice such margins of protection and preference as under existing conditions they no longer require." I might add that we have recently completely overhauled and brought up to date our investigational machinery for determining the amount of protection which the interests of the state justify ^{us} in giving to secondary and also to primary industries.

The balance, of which I have spoken, has in the past made South Africa a large importing country notwithstanding its development of industries behind protective barriers. The maintenance of that balance will make this condition endure. The maintenance of that balance, so important, for our economic health also gives us an enduring interest in the free flow of international trade. We are therefore greatly interested in the present attempt to put an end to the commercial war which so sadly disfigured the years between the wars. We look upon this series of conferences as the final stage in the drafting of economic peace treaties and in the creation of conditions for enduring economic peace. The first two hurdles towards this goal - the Bretton Woods Agreements and the American Loan to Britain - have been

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successfully negotiated. When we ask ourselves what are the prospects of surmounting the third hurdle we look inevitably to the country which has taken the lead in each of the three series of economic treaties and has made important and valuable contributions to the United States of America.

In past ages, Mr. Chairman, world dominion has been sought by force of arms. To the United States belongs the high credit that she has not sought world dominion by force of arms. Rather has world leadership been conferred on her by the march of destiny. In measuring up what she will do with this world leadership for the creation of the conditions for economic peace and welfare - I repeat and welfare - she will, I hope, forgive us some little measure of anxiety. She stands now at the cross roads where here traditional antipathy to the free flow of international trade diverges from her new role as world leader. She seems to us to stand there - to stand there at the cross roads - in vacillating acceptance of her eminence and high destiny. The United States is in a strategic position to lead the world into the calm meadows of economic peace and the prosperity which follows from the useful employment of its peoples. We wish her all strength in encompassing this worthy task of providing the corner stone for economic peace and welfare.

The minimum achievement of this series of conferences must be to set a period to the process of commercial war and the consequent mutual frustration of the years between the wars. Even if these conferences achieve only this minimum mankind will have been well served. We must aim at greater heights but above all we must not fall short of that which is required for economic peace.

CHAIRMAN (Interpreted): I call now on the Head of the Delegation of New Zealand.

RT.HON.WALTER NASH (New Zealand): Mr. Chairman, Gentlemen. New Zealand, the country for which I speak, measured in terms of population, is easily the smallest one represented at this Conference. No other country, however, has a proportionately greater interest in the success of this Conference than New Zealand, because, small though we are, we easily lead the world in volume of external trade per head of population. Few countries, if any, can claim a higher standard of living than ours. I believe New Zealanders are correct when they attribute this almost as much to the fact that over 40 per cent of their national production enters into international trade as they do to the wealth of their country's natural resources and the social consciousness of its people. Because of our resources, especially in the production of food stuffs and the great extent, comparatively speaking, to which our goods enter into the commerce of the world, we of New Zealand regard ourselves as responsible to the world for the full and wide use of these resources. We are of opinion that such responsibility must be a pre-condition to maintenance of sovereignty. In effect we are all trustees of the areas of the world over which we exercise sovereignty. We see the world as a family of nations of which we desire to be a good member in the economic, social and cultural fields. More than that, from the standpoint of a country slightly larger in area than the United Kingdom but with only one-twentyfifth of the United Kingdom's population, New Zealand regards its own security and living standards as being menaced by the insecurity and low living standards of the peoples of heavily populated but economically undeveloped countries. That menace, to our thinking, can only be avoided by the realisation generally of the objectives for which this conference is working - full

employment and maximum production everywhere; maximum production and international trade and political and cultural freedom to enable the greatest enjoyment of the fruits of economic co-operation, and whilst willing, as we are, to examine all new methods to achieve the objectives of this Conference, we would like to put in one point and that is, the people of New Zealand, with the experience of the past, desire to maintain within their own sovereignty their special trade relations between New Zealand and the United Kingdom. In so far, however, as these relations can be varied, with a view to improving world trade, New Zealand is willing to give consideration to any proposal that will lead towards this end. However, it is not of New Zealand that I wish to speak this afternoon, but of the world. What I have said is intended only to interpret my country to the nations represented here, and by so doing give witness to New Zealand's sincere readiness to do all that is within her power to achieve worthy success here at Geneva. Yesterday we were privileged to hear from Delegates, especially Mr. Kulban, the Chairman of the Drafting Committee, something of the success of the work done at London and later at Lake Success, and I here warmly acknowledge on behalf of my country the appreciative reference to the great work that has been done by those delegates and also by the men who have previously spoken here. The relation of what we have achieved towards world peace and progress is so important, as we see it, that it will bear restatement. At the end of a terrible war, even more destructive of the means of life than of actual lives, we have established the United Nations Organisation to outlaw war and eradicate its projects. The Security Council is working to remove causes of armed conflict and the Economic and Social Council, in the work of its Fourth Session, in which we are pledged to participate, is trying to devise ways and means of achieving the social objectives of the United Nations.

The two councils are one in purpose the Security Council to avoid war so that we may enjoy life, the Economic Council, or the part of the Economic^{and}/ Social Council devoted to economics is charged with so ordering the economic life of the countries that the world and all its people may enjoy life to the full in the best sense that that term can be used.

These objectives quite naturally are those of the international trade organisation which we hope this conference will bring into being. Together, the organisations that I have mentioned, with the help of various specialised international agencies can and must create the conditions for the full development of the world economic resources, and hence of world production, as well as for the most equitable and efficient world distribution of that production.

Coming to the work of the conference itself, there are many aspects which arise. I shall enumerate the most important of these as I see them and the economic imperatives to which I think they give rise.

First, the conference is working towards a world economy, but the world in which we live is one of national, and very often rival, economies. Therefore we must take time to adjust the national economies to the world pattern and to do this in such a way as to protect the standard of living in some countries, and lift it greatly in many other countries. The world must proceed towards a more equalised living standard or perish.

Next, the objective of a multilateral system with the reducing, and ultimate elimination of barriers to production and trade is rightly written into the Charter as a means of economising

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for the world as well as for individual nations and the industrial skills and the resources of all countries. But we must not go so far as actually to identify the multilateral system and free trade with world full employment and universal steadily rising levels of effective demand. Accordingly, the adjustment of trade barriers and the establishment of charter principles must be, as we see it, only of importance as far as they result in the production of the national employment structures, and hence the standards of living. In this connection New Zealand is of the opinion, and will submit for the consideration of the conference, that the policy of import selection by which she is patterning her production and consumption without limiting her total imports, can play a vital part in furthering the objectives of the International Trade Organization, and at the same time protect New Zealand's vital employment interest. Accordingly, we look forward to expanding trade and co-operation in all fields with all countries able to carry on trading relations with us inside that frame.

Next, the objective of the Charter wherein reference is made to the development of world resources and freedom of access to raw materials and markets must not remain mere articles of faith. Geneva will fail unless it recognises that in the absence of complete agreements, agreements which are kept to promote the development of undeveloped regions, and to raw materials at the disposal of all countries equipped to process them efficiently. Formal tariff agreements and acceptance of the Charter are almost worthless. The success of Geneva, which I believe will be achieved, depends especially in the field of trade very largely upon stable and equitable exchange relations

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between countries, and for this reason it is especially important that all nations should accept the principle of the international monetary fund to ensure that exchanges and exchange conditions are based on, and fairly reflect the value of their countries. The International Trade Organisation cannot be successful by itself. There are aspects of world trade other than those purely connected with trade and employment. All the specialized international agencies plus the International Trade Organization and the Security and the Economic and the Social Councils of the United Nations must work together as a going concern, first the Food and Agricultural Organisation must achieve agreement upon the best means of developing and utilising world resources of land, food, and raw materials.

Secondly the International ^{Trade} Organisation, as I see it must find the best world formula for the production and distribution of goods .

Thirdly, the International Monetary Fund must ensure exchange stability and the continuing availability of currencies with which to promote and finance world trade to the maximum.

Fourthly, the International Bank for Reconstruction and Development must really assist the countries with damaged economies to reconstruct and in particular assist in the development of under-developed areas. In no circumstances should it as we see it develop into a mere guarantor of safe and profitable investment of privately accumulated wealth.

If these four requirements can be really achieved the nations will have more than a share of specialized organizations. Qualified only by the limit of world resources these organizations

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will provide a world security and prosperity guarantee fund, the currency of which is international co-operation and to which we should all contribute according to our pledges in Article 55 of the United Nations Charter.

The final aspect of the Conference's work which I shall mention, is that of the bearing on it of national sovereignty. There is agreement that we are seeking the best combination in the world of resources of men, materials and money in order to get the best solution to the question of world living standards. Inevitably in a world of national economies variously patterned and at varying stages of economic and political development there will arise conflict between world interests and what appear to be immediate national interests. There can be no question of creating an International Trade Organization to subdue national sovereignties or to direct discrimination against countries merely because they do not see fit to join the organization. In that respect, the remarks attributed to Senators Vandenberg and Millikin, the United States representatives of the Republican Party, go for all countries, that is - that they will willingly co-operate in the International Trade Organization so long as national interests are not menaced. I did not take that, Mr Chairman, when reading it, as too great a qualification. All that I took that to mean was that the Republican and the Democratic parties of the United States would pull together to achieve the objective of this Organization when it is established, but to the extent that their own internal economy may^{not} be menaced by some action. They felt, as I saw it, that they would have to put a qualifying period there to ensure that the whole structure of our organization was not menaced by something which might be harmful to the United

States. But that, as I see it, is the view point which applies with equal force to all countries.

At the same time, this does not mean that all countries are virtuous by marriage with economic nationalism. It does mean that the international solution to the problems of world trade and employment must rest upon, first recognition of the jurisdiction of sovereign states over the pattern of their industry and trade and secondly recognition of the need to adjust these patterns by consent if mutual advantage is to emerge.

Finally, I would like to remind delegates that this conference is representative of 19 countries only. We are charged to build a constitution to which all countries can subscribe.

In particular, I think it is unfortunate that the Soviet Union which is such a great social and economic force is unrepresented at this Preparatory Conference. Plainly International Trade Organisation cannot, if the Soviet Union remains outside of it, be as effective a world organization as when the Soviet Union comes in.

My last words are in appreciation of the contribution to the work of this conference made by the United States. Here I heartily support all that was yesterday said by yourself, Mr. Chairman, as well as by Sir Stafford Cripps and Mr. Colban. The pertinacity with which our American friends and our United States friends have continued to urge the Charter and all that it stands for has, I do not doubt, already been the means of carrying us past many difficulties which might easily have wrecked the preliminary stages of the International Trade Organization.

No one I trust will regard it as an exhortation to the United States to bargain over tenaciously if I utter the hope that the same United States pertinacity will again be in evidence at this and other conferences until we are all satisfied that the best has been done with the available materials.

There is nothing I can say which will too strongly express the desire of my government that this conference shall succeed by contributing richly to a world federation of free, self disciplined nations willing to abide by, and carry out, agreed upon rules for the conduct of world trade, and indeed all of the functions associated with free membership of the world family.

We cannot permanently continue the condition of disparity in living standards which has been brought about by the earlier start of some nations and races on the border of industrialisation, and by the application of science and inventions to the resources of the world.

We must, as I have previously stated, go along in this world towards a more equalised living standard for all people.

Mr. Chairman, sometimes during the conference many of us have been talking with regard to the road we ought to go, what we ought to do, what we ought to achieve, and when I say achievement, although associating myself with other delegates I have heard speak I thought of a story that appears in what we call the Old Testament. It is related to a man named David, a very able man in his day, but he had something to do with another man named Uriah and his wife; and that, which he had to do with them, was not at all to the credit of David; so someone went to him and told him a story in another way, describing in effect the relations that he had been guilty of in connection with Uriah and his wife; and then, in strong condemnatory language, David said what ought to be done to a man who would act as that man had done; and then Nathan turned round to him and said, "Thou art the man". I sometimes think we, when talking high ideals, may justifiably be charged with being like David; when somebody says something to us they might justifiably turn round and say, "Thou art the man!"

CHAIRMAN: I call upon the first delegate of the Netherlands.

Dr. J. V. HEYSMANS (Netherlands): Mr. Chairman, at the opening of this conference under your able chairmanship, I am glad to have an opportunity to say a few words on behalf of the Netherlands Government.

Both the scope and the importance of the original Proposals - for which we are indebted to the United States of America - were such as to cause a certain amount of scepticism as to the practical possibility to arrive at something real along those lines. This scepticism has been defeated, I think, by the results of the first Session of the Preparatory Committee held in London; I hope it may receive a further blow in the course of this Conference and a final one during the World Conference which is to follow.

Still - while there appears to be more than a mere chance of success - there is a tremendous task before us and part of this task is an entirely new proposition, too.

I refer to the multilateral negotiations on tariffs. The thing we have in mind is to ensure greater freedom for international trade.

We know that international trade has been suffering from a great number of measures which various states have found themselves obliged to take, preferences, excessively high tariffs, and indirect tariff - protection included.

Now we are here to discuss a number of remedies which the peoples of the world have found it necessary to apply in order to check a number of economic phenomena which they were unwilling, or unable, to accept taking place. Does this mean that we are going to discuss not only these remedies, but the diseases for which they were meant to be a remedy?

I think we have to realise that this Conference can be a success only if all the countries concerned are

prepared to open their doors to the trade of others. Obviously this Conference is meant as well to deal with safeguards and controls: but this does not affect the fundamental fact to which I have just referred and which no doubt will have a very direct bearing on the economy of most of the participating countries.

If it is clearly necessary to accept the said principle it is equally obvious that it should be applied to the largest possible number of countries. For this reason the great undertaking we have embarked upon cannot be successful, in my opinion, unless a firm link is established between our work here and the work done by those engaged in the economic life of the enemy-countries and what it is going to be.

I think the time has come to make it clear that believing in the purposes of the International Trade Organization does not allow for claiming exceptions in the case of important economic areas, such as the enemy-countries undoubtedly are, whatever they may have been in other respects. There should be a link between these two things, and if that link is not a firm and reliable one I fear the penalty will be heavy.

In the meantime, however, we may continue our work on the assumption of such a link being established.

Taking a bird's-eye view of the Conference, I should say, then, that it coincides with a number of facts, or changes, of outstanding importance.

In the case of the Netherlands there are two facts to which I want to draw your attention. My Belgian colleague has already mentioned the recent important step towards a close economic co-operation between the Netherlands, Belgium and Luxembourg. The law embodying the new mutual tariff has been submitted to Parliament just a couple of days ago. This fact will influence the tariff negotiations of this Conference to a certain extent, for instance, while the Netherlands, Belgium and Luxembourg will negotiate with joint delegations, these delegations will also represent the overseas parts of the Kingdom of the Netherlands and the Belgian Congo. The considerations which will guide the attitude of our joint delegations at the tariff negotiations have also been summarily indicated by our Belgian colleague, and I refer to them here.

Secondly, the political structure of the Kingdom of the Netherlands is in the course of a reconstruction. This reconstruction will be on the basis of the well known declaration
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of Her Majesty the Queen of the Netherlands of December 7th 1942, and of the agreements and resolutions made in consequence thereof, such as the recent agreements of Denpasar and Linggadjati.

At this stage of the reconstruction it may appear to be necessary to make a reservation on certain points.

If the London Conference of November 1946 has proved one thing, Mr. Chairman, I think it is that a thorough preparation is essential. This second Preparatory Conference, therefore, is probably decisive for the economic and therefore also, for the social revival of our hard-stricken world.

CHAIRMAN: (Interpretation): I call upon the representative of Norway.

H.E. M. ERIK COLBAN: (Norway): Mr. President. The position of Norway is given by the fact that the country is highly dependent upon its foreign trade, its exports and imports. We have already during the first session of the Preparatory Committee expressed our willingness to co-operate in order that an International Trade and Employment Organization may be set up as an active and efficient instrument to liberate the trade from such restrictions as have resulted from the two successive world wars, and to secure the fullest possible employment and generally stable economic conditions throughout the world. Our discussion hitherto seemed to us to prove that this big task is by no means impossible. We go to our second session in the confident expectation that another, and this time a still greater step in the right direction may be taken.

When the Norwegian government received the London report, that report was very carefully studied, but especially the work on the customs tariff has been delayed, as a considerable part of the material that should come in from other governments did arrive rather late and partly has not even yet come to hand.

I consider it unnecessary for us to make today any definite declaration as to what may be our attitude to a number of the clauses of the draft charter, as well as to the delicate question of what concessions Norway may be able to make in the field of customs tariff.

We can, however, say that we are going to the coming negotiations full of good will and with an open mind towards the different problems.

I do not think I should go any further today. We shall have an opportunity of defining more closely our attitude when the different questions come up for discussion.

RS

CHAIRMAN: No other delegation having asked to take the floor, I will now call upon the representatives of the World Federation of Trade Unions.

M. JEAN DURET (World Federation of Trade Unions) (Interpreted): Mr. Chairman, Gentlemen: The World Federation of Trade Unions, which has among its members tens of millions of working men, is very much interested in the application in the world framework of a policy of full employment and in the regularisation of commercial exchange, which has such a profound bearing on the material and moral situation of its members. It is therefore with pleasure that the World Federation of Trade Unions has accepted the invitation extended to it and also to other non-governmental international organisations to send a delegation to the First Session of the Preparatory Committee on Trade and Employment.

Convinced of the importance of the purpose of this Conference, the World Federation of Trade Unions would, however, like to point out that the means which are proposed do not always seem most appropriate to the purpose itself. It thinks also that the support, and the active support of its members is as useful in order to discover the proper means as to assure their effective application. The World Federation of Trade Unions has already once had the opportunity of bringing some constructive criticism to the first project. The proposal centred on three points, the reduction of tariff barriers and of restricted commercial practices, the elimination of discriminatory measures and the creation of a new international organisation for trade and full employment, which, in the view of many Delegations, was the only solid basis for efficient commercial policy, was only mentioned incidentally, but it is the achievement of such full employment which is necessary, and uniquely necessary, for the intensification of the exchanges and also to prevent which, at irregular intervals, have hit world

economy and international trade. The unequal distribution of income and of purchasing power is one of the essential causes, if not the essential cause, of such depressions. An efficient employment policy could prevent them if the framework is large enough and if it is conducted with all the necessary energy of an international plan. The problem of full employment is a general problem but it appears differently in different countries.

I would like to take up again the explanations which I have already given in London. In certain countries - the more advanced countries from an economic point of view - it is essential to ensure regular employment to the total of the manpower. In order to achieve this, it seems necessary at the same time to limit the hours of work and to better the payment of the workers. We must also have recourse to a general policy of redistribution of purchasing power which can only permit constant augmentation and regularity in national income and assure a more just interpretation.

In countries which are generally called backwards from an economic point of view the problem is very different indeed. Such countries can employ their full manpower without bettering in any way the situation. In fact the means of production are very backward, and the lack of unemployment may appear and co-exist nevertheless with a very small national income and miserable conditions of life for the whole of the population. In such countries even if a lack of unemployment is observed, there is nevertheless a certain unemployment which must by necessity be striven against. A policy of full employment in such countries consists therefore in developing a maximum of national income to give to those countries modern equipment, ensuring at the same time and on a new basis the full and efficient employment of the manpower. It is particularly necessary that those countries should progressively fill the gap which exists between their economic development and that of countries more advanced in the economic field. It is therefore a reversal of the whole present tendency, as since about twenty years ago this gap has always seemed to become bigger. There exist finally those countries in which the possibilities of economic development are far more considerable than the reserve of manpower, and who can employ their whole productive power only if manpower comes from foreign countries. The economic development of those countries is often hindered, moreover, and since the war and enemy occupation by a lack of equipment and basic material. The policy of full employment must therefore have one purpose - to put to their disposal a more abundant manpower and a more productive equipment, which, in permitting them to develop their possibilities of production and to augment their national income, will serve the cause of international trade. A policy of full employment, as we have now tried to outline it, has therefore a general meaning. It

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implies in all countries a policy to augment the national income, to re-distribute the purchasing power in favour of the working classes.

It calls also for re-distribution of purchasing powers, not only in the different nations of the world, between nations rich and nations poor, and asks for a whole system of international loans. A policy of full employment in each country must be conducted in such a way that it should not place obstacles in the way of a policy of full employment in other countries. If, for example, a country tries to assure full employment by maintaining wages at a very low level, to force their exports, we think such a policy is dangerous for the policy of full employment in other countries of the world. The danger in one country is that a policy develops which is contrary to the policy of full employment in other countries is not mere illusion. The reason is to be found in the economic inequality between States and in the possibility of a crisis of depression in the more powerful State. Economic inequality in the States who after the war have obtained the high degree in which they are to-day, raises fear that countries which have been able to obtain lower costs of production submerge their competitors under their products and reduce them to unemployment and sterilise their efforts in view of the policy of full employment.

In the light of these ideas, suppression of obstacles to world trade, brought forward by the States, and the restrictive commercial practices, first of all, if their principal object is a new commercial policy, it would appear therefore particularly dangerous. The economic inequality which persists to-day between the States does not appear to be able to be corrected by the re-establishment of a full freedom; but it seems on the contrary to appear still more grave. The development of the States

which are backward from an economic point of view and the progressive reduction of inequalities which can be found to-day finally condition the prosperity of international trade, and are only able to avoid economic depression by calling for a commercial policy which takes into account the present inequalities. The same thing applies to the tariff barriers but not in the same sense. If they are applied to a country which is well equipped and possesses powerful financial connections or to a State which is more backward from an economic point of view, or does not have the necessary means of payment, (the generalisation which applies to the most-favoured nation applies indiscriminately to all countries) and gives rise to the same injustices. Furthermore, quantitative restrictions, discriminatory clauses, according to the category of goods and to the contracting countries, are indispensable in order to promote a quick and rapid industrialisation and a development of the least-favoured countries, to bring them into a state of equilibrium in the balance of their accounts and to ensure the full employment of their manpower. Those means are in fact the indispensable conditions of direct economic policy and of planning, which in one way or another imposes itself in most cases. Notwithstanding the measures which have been theoretically taken against restricting commercial practices, the policy of discrimination to which States of the United Nations would on the other hand resort would be applied in the most dangerous conditions for private organisations invested with particularly powerful means, which would therefore be subjected in fact, if not in law, to no control. It is true the Draft Charter contemplated the existence of a period of transition during which exception could be admitted in favour of countries in which the balance of accounts would have been brought in

equilibrium during the war in particular. The recognition of these exceptions, which proves the incapacity of liberalism to face the present difficulties, must be considerably enlarged and made more precise. As it has been provided for in the Draft Charter, the transition period did not only present grave dangers, but the number of exceptions contemplated was far too restricted. There was a danger that the State which would ask for the conditions of the transition period would lose a large part of their economic independence. The Draft organisation for commercial international relations is in the opinion of the World Federation of Trade Unions susceptible to serious reservations. An international organisation of trade, if it wants to achieve its object, must have a maximum of universality and should not arrive at the constitution of antagonistic economic blocks; but we think that this is precisely the danger which was embodied in the Draft Charter of which certain Articles were of a nature to make it very difficult if not impossible that every State a Member of the United Nations should not have thought it wise to participate in the Conference. On the other hand countries which did not adhere to the new organisation would be submitted to severe discrimination. Finally it appears that the new organisation would be too closely related to the Bretton Woods agreement, which had not been accepted voluntarily by all Members of the United Nations. It is for these principles which inspired the World Federation of Trade Unions when at the London Conference it made its effort to try to make them admit it even in the details, in order to better the disposition of the Articles, which in its view were the most critical in the Draft Charter.

It is these principles which inspired the delegation from the World Federation of Trade Unions when at the London Conference it made its effort to try to make them admit it, even in the details, in order to better the dispositions which, according to its views, were of the most critical kind in the charter.

It is true to say that very grave difficulties were encountered, because restrictive measures were applied to its intervention. The Federation was not permitted to participate regularly in the work of the Commissions where the real work was performed, and could only be admitted to make one declaration before the First and Second Commissions, without obtaining any assurance that productive discussions would be engaged in on those propositions, and it did not even receive an answer to the questions which the delegation had asked on a certain number of points which appeared to be particularly important.

The point of view of the World Federation of Trade Unions has been recalled and made more precise by the intervention which I had the honour to make at the closing Plenary Session of the Conference, and of which I think it would be useful to remind you here, at least in its essential parts, at the time when the Second Session of the International Conference on Trade and Employment opens. Face to face with the possibility of new depressions and fears which the internal politics of the United States may inspire and the transfer to the United States of America of economic and financial power which has no counterpart, it seems indispensable to apply a policy of full employment which should be at the same time elastic, energetic, and widely enough generalised to all countries, taking into account the situation which is proper to each of these countries.

For that purpose the following measures should be taken in order to arrive at that result:- measures which are meant to assure full employment should be deemed paramount over all others. The body which has as its function to ensure these policies should have a greater importance than the monetary and banking institutions, which should adapt their policy to the policy of that organisation. The structure of such organisation should be such that nobody could reproach it with sacrificing the interests of nations which are economically weak to those of

nations which are more powerful both economically and financially. The statutes and the Charter of the International Trade Organisation which are to be adopted should be sufficiently elastic and wide to ensure that the countries with the most diversified structure could adhere to it and that it should do away with the danger of constituting too antagonistic economic blocs. It is necessary very largely to apply the clause which is called the clause for the period of transition, in order to permit the countries which are already to-day in a state of inferiority to use any external trade all means proper to permit them to plan their economy.

The methods which are based on traditional liberalism can no more promote and ensure the primordial importance of the social needs. Planning and a directed economy are, on the contrary, absolutely indispensable for the application of the policy of full employment.

On the other hand, the benefit of those rules should also be applied to the states which are already to-day in a state of inferiority towards their most favoured competitors, and they should not be subordinated to the authorisation of specialised organisations. The whole totality of these methods should therefore permit a solution of the essential problem which presents itself so far as depressions are concerned, which is to prevent them and not to remedy them, as it has been envisaged in the draft American Charter - a policy which is far more efficient but, notwithstanding appearances, far more difficult to apply. Particular attention should be drawn to the fact that the method which the International Monetary Fund can apply to attenuate those economic depressions does not seem to be particularly efficient. Not only is the export of capital forbidden, but there is a risk that that interdiction might be imperfectly operated if it were not accompanied by an exchange control without gaps, and later on by a control of commercial regulation. But devaluation, as also rules established in favour of hard currencies, could not, if a depression appears, have anything else but a very limited effect. Moreover, it is not only indispensable that the states which are in a state of inferiority should be able to apply an energetic policy which their present situation calls

for, but it also necessary to ensure that the more powerful and more prosperous states should put into practice, even now, a policy of full employment based, in their own territory, on the redistribution of purchasing power in favour of the working class. They must also apply towards foreign countries a wide policy of international loans, whatever may be their views in their application to opening widely their markets to the products of debtor countries. It is only if we are inspired by such a truly international spirit that it will be possible to establish an equitable regime, and therefore, a regime which will be to the benefit of all.

Progress has already been realised in London in the sense which was desired by the World Federation of Trade Unions. The World Federation of Trade Unions is very glad in particular to have seen proclaimed the principle along which the maintenance of full employment is to condition itself to international trade at a sufficiently high level, and stable enough; and to see publicly recognised that, if we do not succeed in maintaining full employment in one single country, this fact could compromise in the most dangerous way the efforts of other countries. The Federation is fully appreciative also of the principle of direct international action in order to maintain effectively full employment in all countries by a synchronisation of the policies of credit. It is good also that there have been recognised the needs of insufficiently equipped industries and the possibility of promoting, with the agreement of the Organisation, measures of production which are necessary, even if they appear to be incompatible with the principles of the Charter.

The World Federation of Trade Unions has also noticed in a more general way the more subtle nature of the rules with regard to the most-favoured-nation clause, and the interdictions related to quantitative restrictions and to discriminatory clauses.

Finally, the Conference in London has nevertheless preserved the most dangerous conditions concerning state monopoly and public enterprises, from which it would appear that they were susceptible of arriving at the constitution

of economic blocs and of making impossible the planning of their economy by states participating in the International Trade Organisation.

Proof has also been given of the wisdom of certain provisions which concern the proposed organisations. Those clauses could have been of a nature to prevent the adhesion of member states of the United Nations who have not, up till now, participated in their work.

The World Federation of Trade Unions has not been in a state to participate in the work of the Drafting Commission in New York and has not even been able to follow it from the outside, and therefore it proposes, as soon as it is able to do so, to give its detailed opinion of the work done in New York, and to bring it before all the bodies of the Geneva Conference which may be called to examine them.

From now on it appears already that there are still subsisting some contradictions between the general purposes of the projected organisations and the means which have been put into action in order to achieve them - contradictions which must be absolutely eliminated.

The intentional achievement of full employment on the international plane calls for internationally co-ordinated measures, and calls also for the possibility of the application of sanctions towards countries which may fail in their promise to maintain a productive full employment, particularly the members of the organisation which would benefit for too long a time by reason of beneficially balanced accounts. They should be obliged to reduce such balances to a state of equilibrium by appropriate measures, and those must be more precisely outlined. To each unilateral action of each country should be added the effect of international action. The possibility of promoting industrialisation should be encouraged and not repressed. There should be put into the application of the international plans the policy which had been adopted in the internal plan by the state, in order to ensure stability in putting into effect projects which are meant to prevent a slackening of effective demand.

It is also necessary, in order to ensure the stability of the demand, to augment the share of the working masses in the development of productivity and of the national income.

As far as the restrictions brought about by states on international trade are concerned, the right to have recourse to such

measures should be recognised still more widely, as it had been admitted in London, and even in New York, as far, at least, as there are differences between two states, in order to ensure the planning of their economy and to enable them to act in certain circumstances against the repercussions of a depression which may exist in other countries.

Excessive limitations which might be brought about by international organisations should, from that point of view, be the object of particular attention; and one must not lose sight of the fact that it is essential that each state in the present circumstances should determine in detail the consequences which the necessities of the economic situation bring about, from the point of view of the technique of their commercial policy.

As far as the International Trade Organisation is concerned, we recognise that the stable development of international trade depends on general co-ordination; but even rules of conduct should be unanimously accepted and should not be of such a nature as to stabilise one single type of country - small or large - rich or poor, industrialised or backward - to the detriment of the others, but on the contrary should help to the maximum all the states. Measures must therefore be taken in order to avoid the possibility that any country, or any category of countries, with or without the aid of other states, could dominate the organisation. We must eliminate also all clauses which are of such a nature as to make more difficult the universalisation of the organisation and the adhesion of all members of the United Nations.

In particular the penalization which still subsists of the nationalised industries for state enterprise for the monopoly of foreign trade must be at times suppressed. If the goal of these proposals are put into effect the prosperous development of a world economy and the peaceful co-existence of different types of social and economic organizations of different nature can be pursued with success.

The organization which has been proposed in strict accord with the governments is that international government organizations will then be able to contribute to the effective full employment in all the countries and to their development. There should be no reason whatever to see a destructive competition between countries or between economic systems particularly if the demand of the masses as well as that of each country is maintained at a high level in order to correspond to the ^{recognized} vast needs of the population which has been so terribly compressed by the devastation of the war. It will then be possible to do away with artificial means of protection. Therefore restrictions would disappear and more so such irrational actions as the destruction of stocks of merchandise which is such a shock to the world conscience and against which the Draft Charter desires to establish most severe penalties. The essential task in all the countries is to tend towards a constantly augmenting national risk and the income of the working classes which is the only way to assure a real stability. These are the general observations, Mr. Chairman, which the delegation of the World Federation of Trade Unions would like to formulate before even having examined in detail the new text which has been drawn up by the Drafting Committee of New York and which has not yet been received. The delegation of the World Federation of Trade Unions proposes to examine those texts with the most extreme attention and to declare its point of view before all the organizations which will be called

upon to discuss those texts - the discussion to which it is asked to be regularly convened. On the technical framework there is very much to expect from ^amulti-lateralism. There should be ^aguarantee for independence for each nation free to contract agreements to trade with all the others, even with those, if they still exist, which should be in favour of free exchange up to those who protect and plan. Multi-lateralism must be a refusal for all exclusivism. If you succeed in that sense your task will have been well done.

CHAIRMAN: (Interpretation): Gentlemen, the next plenary meeting of the commission will be held on Monday morning at 10.30. I hope that at that time we will be able to conclude the general discussion. That can only be done of course if we start our proceedings at 10 o'clock immediately afterwards, the conference will convene in a private session in order to examine point 5: "Discussion method of work on the second session." Tomorrow morning at 10.30 there will be a meeting of what has been called up to now the Meeting of the Chiefs of Delegations which I propose to call from now on the Chairman's Council, not that I want to add or to indicate that the Council will be submitted to my authority, but simply because I want to leave the delegations free to delegate to this Council whom ever they think most fit for the discussion which shall take place at that time.

The meeting stands adjourned.
