

List of Press Releases issued during the Second Session
of the Preparatory Committee of the United Nations Conference on Trade and Employment

April - October 1947

Geneva

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PREPARATORY COMMITTEE OF THE UNITED NATIONS
ON TRADE AND EMPLOYMENT

(ITO)

(Geneva, April 10-August 30, 1947.)

The Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment will be opened in the Assembly Hall of the Palais des Nations on Thursday, 10 April, 1947, at 3.00 p.m., by Mr. David Owen, United Nations Assistant Secretary-General in charge of Economic Affairs.

Mr. E. Wyndham-White will serve as Executive - Secretary of the Preparatory Committee.

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BACKGROUND

For a better understanding of the Second Session of the Preparatory Committee, two points should be borne in mind:

- (1) In February 1946, the Economic and Social Council adopted a resolution to call an International Conference on Trade and Employment and invited the representatives of nineteen principal trading United Nations to be members of the Preparatory Committee. This Committee was charged with the elaboration of a draft convention known commonly as the 'Charter', which should embody all aspects of international trade, and with the preparation of the establishment of a new specialized agency of the Economic and Social Council, the International Trade Organization.

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(2) Prior to this, the United States Government had invited the governments of nineteen principal countries to meet in order to negotiate concrete arrangements for the relaxation of tariffs on a reciprocal and mutually advantageous basis.

The Preparatory Committee adopted a resolution by which the governments concerned were recommended to hold the negotiations under the sponsorship of the Preparatory Committee in connection with its Second Session.

Thus the forthcoming Geneva Session of the Preparatory Committee has two tasks to accomplish:

To carry on and, if possible, to complete discussions of the convention (provisionally called the Charter) of the International Trade Organization of the United Nations, and,

To institute negotiations between the nineteen governments for the purpose of achieving the aims set out under (2) above.

The terms "discussions" and "negotiations" were chosen deliberately so as to indicate the separate nature and aims of the proceedings.

The countries invited to participate in the work of the Preparatory Committee are Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, The Netherlands, New Zealand, Norway, Union of South Africa, Union of Soviet Socialist Republics, United Kingdom and United States. So far the Union of Soviet Socialist Republics has not taken part in the discussions.

I. THE DRAFTING OF THE CHARTER

The First Session of the Preparatory Committee which met

in London, October-November, 1946, was guided in its discussions by:

the proposed Draft Charter elaborated by the Department of State of the United States;

a draft Charter proposed by the Government of Brazil;

a detailed commentary by the Indian Government of the United States "Proposals";

a memorandum on Employment Policy submitted by the Government of the United Kingdom;

and by other suggestions and proposals submitted in the course of the Session by other governments.

The result of its work was the Charter of the International Trade Organization accompanied by comments and explanations, published as a printed public document - the "Report of the First Session of the Preparatory Committee of the United Nations Conference on Trade and Employment" (London, October 1946).

It was felt at the First Session that further drafting should be done on the basis of its work before the commencement of the Second Session. Therefore a Drafting Committee, consisting of representatives of the nineteen governments concerned, was convened at Lake Success on 20 January 1947 and charged with the task of preparing a new draft charter based on the Report and other documents of the First Session. The specific task accomplished by the Drafting Committee was the editing for clarity and consistency of the portions of the text on which the Preparatory Committee has come to a substantial identity of views. The Drafting Committee also prepared alternative drafts of those portions of the proposed Charter on which there remains a division of general views and they prepared suggested drafts covering such uncompleted portions as are referred to it by the Preparatory Committee,

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together with such explanatory notes and commentaries as the Drafting Committee may consider desirable and useful.

The Drafting Committee accomplished its task on 26 February and will present its Report to the Second Session of the Preparatory Committee.

The Charter as it emerged from the deliberations of the Drafting Committee is divided into the following Chapters:

- I. Purposes
- II. Membership
- III. Employment, Effective Demand and Economic Activity
- IV. Economic Development
- V. General Commercial Policy
- VI. Restrictive Business Practices
- VII. Inter-Governmental Commodity Agreements
- VIII. Organization

It will be one of the two tasks of the Second Session convening on Thursday, 10 April, to take up discussions of such parts of the Charter as did not find full approval of all the participating governments and such other parts as the Drafting Committee did not deem advisable to consider.

It should be pointed out that, so far, no government is pledged to any part of the Charter, even when unanimously adopted. The final act of adherence to the Charter by prospective signatories was left to the International Conference on Trade and Employment itself, which is to be held after the Second Session of the Preparatory Committee.

II. NEGOTIATIONS ON TARIFFS AND TRADE BARRIERS

The second but not less important function of this second Session meeting now in Geneva will be to initiate and conduct negotiations between the nineteen governments, under the sponsorship of the Preparatory Committee, on restriction of tariffs, preferences and trade barriers. It is

the first time in history that multilateral commercial negotiations on this scale have been attempted. The complexity of this task will be apparent from the following short outline of the method envisaged for the negotiations in Geneva.

Each country has compiled a list comprising goods in whose export the country is interested and for which it asks for reduction of tariffs from the eighteen other countries (i.e. in all eighteen, different schedules of "demands" are to be presented to the other governments).

Each country will also compile a schedule of "concessions" (i.e. a list of goods concerning which it is prepared to negotiate reduction of tariffs or concessions of other kinds).

These two schedules will be the basic documents for the negotiations in Geneva, which will be conducted on a reciprocal basis (i.e. no country will be expected to grant concessions unilaterally without receiving concessions in return from the other negotiating countries). The negotiations will be conducted in accordance with a selective product-by-product method, thus ensuring ample flexibility by taking into account the needs of individual countries and their industries.

An analogous procedure will apply to negotiations on tariff preferences. Preferential systems do exist in the world at present and the relevant Article of the Draft Charter provides that such international commitments in force at the time of the Geneva negotiations shall not be permitted to stand in the way of negotiations on reduction of tariff preferences. In this respect, as in all other respects, the supreme principle laid down by the Charter is

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that negotiations between the member countries of the Preparatory Committee, which are to form the nucleus of the proposed International Trade Organization are to determine all specific issues and that these negotiations shall be reciprocal and mutually advantageous.

This principle of "give and take" is to be the guiding feature of the Geneva negotiations. In the case of tariff preferences the aim is that their margins, (i.e. the difference between the general tariff rate and the preferential rate), shall not be increased as the result of negotiations.

The situation of countries with low tariffs has also been considered, since they are not in the position to offer much, if anything, in the way of reduction of their tariffs. The Draft Charter therefore provides that contractual binding or consolidation of low tariffs or of tariff-free treatment shall be generally recognized as a concession equivalent to the substantial reduction of high tariffs or the elimination of tariff preferences.

Since the supreme rule of the most-favored-nation treatment governs the relationship between the negotiating parties it must be expected that importing country A will be interested in granting to exporting country B concessions on products of which B is the main supplier, because in this way country A will secure the highest concessions from B on other goods which A exports to country B. This is known as the "principal supplier" rule which is an important feature of the negotiations.

Since, however, only nineteen nations are taking part in the negotiations, this rule will have to be modified so as to be applicable to cases when all nineteen nations, taken as a

...ple, are able to supply the principal part of foreign trade of a certain product. Here the question of the future position of ex-enemy countries as suppliers of certain goods will enter into consideration.

As already mentioned, the negotiations will be multilateral as far as method of work and legal application is concerned. On the conclusion of the negotiations, seventeen schedules of tariff concession will result (Belgium, The Netherlands, and Luxembourg are considered as a Customs Union), each of them setting forth a description of products and the lowest rates of duty thereon applicable to imports from a particular country. Each negotiating country will be contractually entitled, in its own right and independently of the most-favored-nation clause, to each of the tariff reductions and other concessions in each of the schedules of the other parties.

It is hoped that this multilateral form of tariff schedules will provide a greater stability of tariffs than hitherto existed under the ordinary bilateral commercial treaties, which have not always proved effective instruments for the reduction of tariffs and elimination of trade barriers.

Discouraging experience from conferences aiming at a reduction of tariffs in the past has made it one of the assumptions of the Charter that the countries concerned should not try to improve their bargaining position by raising their tariffs and imposing new restrictive measures before the negotiations. On the other hand, changes in tariffs owing to depreciation or devaluation of the currency should not be considered as an increase if they do not raise the protective incidence of the tariff.

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It has been envisaged that a Tariff Steering Committee, composed of representatives of all delegations, will be set up immediately upon the opening of the Session on Thursday and will plan and guide the negotiations in broad lines. The Secretariat is preparing statistical material to facilitate such planning. Although one hundred and thirty-six bilateral combinations of negotiations are possible it is obvious that they cannot be carried out simultaneously and that not all of them will be of the same importance.

III. PROCEDURE IN GENEVA

To understand the interplay between the discussions on the Draft Charter and the negotiations on Tariff reductions at the Second Session, one must keep in mind that the most important pre-requisite for the reduction of tariffs and trade barriers is the adoption by the negotiating nations of at least the fundamental provisions of the Charter which at the time of the negotiations will not yet be in force. Therefore an interim instrument "The General Agreement on Tariffs and Trade" has been drawn up which embodies the fundamental provisions of the Charter, especially of its Chapter V (General Commercial Policy).

This General Agreement has been prepared by the Drafting Committee at Lake Success and will be presented at the Second Session. Since it is only a shortened version of the Charter itself and since the nations have not yet adopted the Charter, the provisions of the General Agreement must be discussed here in Geneva. It has been arranged that after the first four weeks of tariff negotiations, on about 10 May, the governments will send to Geneva their experts

on the Charter to proceed with the discussion and if possible to reach a definite agreement on at least the fundamentals of the Charter.

As, however, certain provisions of the Charter are closely related to tariff negotiations, they might be usefully examined simultaneously with the initial negotiations on tariffs, though generally priority should be given to negotiations on tariffs. It may be therefore expected that governments will send some Charter experts together with tariff experts to be present in this City from the beginning of the Second Session.

In order to appraise fully the importance of the General Agreement, it may be useful to recapitulate briefly the articles of the Charter which were deemed essential to be incorporated: General Most-Favored-Nation Treatment; National Treatment on Internal Taxation and Regulations; Freedom of Transit; Anti-Dumping and Countervailing Duties; Tariff Valuation; Customs Formalities; Publication and Administration of Quantitative Restrictions, Restrictions to Safeguard the Balance of Payments; Non-Discriminatory Administration of Quantitative Restrictions; Exceptions to the Rule of Non-Discrimination; Exchange Arrangements; General Undertaking Regarding Subsidies; Non-Discriminatory Administration of State-Trading Enterprises; Maintenance of Domestic Employment; Governmental Assistance to Economic Development; Emergency Action on Imports of Particular Products; Consultation - Nullification or Impairment; General Exceptions; Territorial Application - Frontier Traffic - Customs Unions.

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It was considered necessary to establish an interim body which would administer and implement the provisions of the General Agreement. Therefore an Interim Trade Committee is provided for in the General Agreement, on which each contracting party shall have one representative. As soon as the International Trade Organization is established and capable of exercising its functions, the Committee may be dissolved and its functions and assets transferred to the Organization.
