

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE  
ON TRADE AND EMPLOYMENT

MEMORANDUM PRESENTED BY THE COLOMBIAN GOVERNMENT  
THROUGH THEIR OBSERVERS

The Resolution of the Economic and Social Council of the United Nations on the calling of an International Conference on Trade and Employment, prescribed, in point (b) that the Preparatory Committee, responsible for the elaboration of a draft agenda for the Conference and a draft convention should take into account suggestions which might be submitted to it by the Economic and Social Council or by any Member of the United Nations. The same resolution recommended that the Preparatory Committee, when considering the items proposed as a basis of discussion, should take into account the special conditions which prevail in countries whose manufacturing industry is still in its initial stages of development.

The Colombian Government wishes to draw the attention of the Preparatory Committee to that special recommendation of the Economic Council, which arose out of an amendment to the text of the first draft resolution, proposed by the Colombian Delegation to the Council, and desires at the same time to put forward certain suggestions concerning several of the matters to be dealt with by the said Committee, with regard to which the Council's recommendation, referred to above, can and should be effectively implemented.

1. Article 55 of the United Nations Charter states that Members shall promote higher standards of living, full employment and conditions of economic and social progress and development. Although it is essential for the great nations to be prosperous and to enjoy full employment so that the other countries may acquire the same benefits, it is

obvious that differences in the stage of development attained, in economic structure and in standards of living prevent the same methods and systems being used by all nations co-operating internationally. This demonstrates the advisability of adapting the general lines of trade policy which the various bodies of the United Nations are studying, and particularly those which the Preparatory Committee is to propose, to the special conditions existing in countries less advanced in the economic sphere, in conformity with the recommendation made by the Economic and Social Council.

As a result of the vast disparity existing today between the standards of living of different countries, an important consideration arises, which, besides conforming to the principles of human justice, is undoubtedly relevant to the problem of world prosperity; namely that, when the raising of the standard of living comes under discussion, preferential treatment should be given to those countries where the standard is at present low, with the idea of levelling out existing disparities. Thus, the desire to maintain and even to raise the standard of living of those countries already in a privileged position, cannot and should not obstruct the essential amelioration which must be secured for those at present living in the most difficult conditions. If this principle of solidarity is not recognized, the whole Organization of the United Nations will fall short of its ideals and objectives in the economic sphere.

As has been said before, the prosperity of the great nations is indispensable for the welfare and progress of all, but it does not, in itself, guarantee the prosperity of the other nations, and even less does it bring about that transformation in their economic structure necessary for obtaining greater stability and ensuring that the inequality now existing in living conditions in various countries may be proportionately decreased. The prosperity of a great nation may be founded, as it was in the past, on the obstruction of the activities

of other countries and their reduction to economic slavery, a situation which might continue in the future if the fact were not borne in mind that the economic advancement of countries in earlier stages of development, their industrialization, and their progress, far from being detrimental to the trade of the great powers would tend to benefit them all, despite the transitory changes and mal-adjustments which might result.

Among the causes which, in certain countries, give rise to low standards of living and economic instability, the most important are shortages of production or export lines and the low state of development of their manufacturing industries. Only diversification of production and means of access to higher levels of industrial activity can help to alleviate their present situation and allow them to raise workers' salaries, to make full use of natural and human resources, and above all, to reduce the risk of sudden fluctuations in foreign trade and the level of employment.

Colombia is a shining example of such a situation, as there the balance of trade and payments has in fact come to depend on one product alone, coffee, and to such an extent that a fall in the price of this commodity affects the whole national economy and greatly restricts the country's purchasing power abroad. On the other hand, this fall in price does not lead to greater sales, for the volume of supply can only be increased very slowly, as the coffee plant takes five years to mature and produce. It is clear that, if the people have to depend on foreign purchases for the necessities of life, their standard of living will be permanently threatened, much more so than that of nations which are more self-sufficient and which have a more varied and consequently more stable export trade.

It is not easy for Colombia, nor indeed for many other nations, to develop new export lines to a sufficient extent. Thus the improvement in the living conditions of its people, the solution of problems arising from the increase of population, the possibility of giving its inhabitants work

which demands more skill and technical capacity than agriculture, thereby being better paid, would be drastically restricted if it were unable to resort, as it is doing now, to the diversification of its production for the home market, and to the creation of new industries, especially in those branches which supply the prime necessities of life and the needs of industry.

Such a state of affairs is common in a greater or lesser degree to other American countries and to many nations of the other Continents.

Any international trade policy which impeded this movement toward the diversification of production and toward the industrialization of countries in this situation would be not only unjust but contrary to the aims of the Charter of the United Nations and would also run counter to the expansion of world trade itself.

2. In the Suggested Charter for an International Trade Organization of the United Nations prepared by experts of the United States Government as an elaboration of the proposals submitted by that country for the World Conference on Trade and Employment, recognition is made of the necessity for encouraging and supporting the industrial and general economic progress of countries which are Members of the Organization, particularly of those which are, as yet, in the first stages of their industrial development. Similarly, in this Suggested Charter, it is proposed that the nations participating should recognize the fact that in the relationship between production and consumption of some primary commodities there may arise special difficulties different in character from those which generally exist in the case of manufactured goods and that these difficulties, if serious, may have such widespread repercussions as to jeopardize the general policy of economic expansion.

In respect of these difficulties, which the Economic and Social Council had already recommended the Preparatory Committee to consider, the Suggested Charter provides for special arrangements, the character

and effectiveness of which it is not relevant at this point to study in detail. However, it could not by any means be asserted that the mere fact of providing for treatment to remedy the disequilibria which may arise in the marketing of certain primary commodities, is a complete and efficacious corrective in a situation like that confronting countries like Colombia, which makes it necessary for them to have recourse, as has already been said, to the diversification of production and to the development of new industries to supply home consumption.

On the other hand, the recognition made in the first chapter of the Suggested Charter of the necessity for giving special encouragement to the development of countries less advanced in the field of industry is not reflected in the remainder of the document, and there is no more than a further reference to it in the passage which lays down that the Executive Board of the Organization should provide adequate machinery to review the work of the latter as it relates to industrialization and general economic development.

Exception made of the Declaration of Principles to which we have just referred, we find little in the Suggested Charter to correspond to the Economic and Social Council's recommendation that special account should be taken of the particular conditions in those countries which are in the initial stages of their industrial development. This omission becomes particularly obvious, and takes on an especially serious aspect, in the chapters dealing with the problems of tariffs and state trading. The Government of Colombia wishes to bring to the special notice of the Preparatory Committee the necessity for paying close attention, in those matters especially, to the Council's recommendation that it should be laid down in the Draft Charter that, as a rule, the World Conference on Trade and Employment should have submitted to it standards which definitely take into account the special conditions in the countries referred to.

The text of the Draft Charter establishes identical standards for the international trade policy of the various countries, without making any distinction whatsoever between countries with a high standard of living and those with a lower standard: between those that have already reached a complex and highly developed economy - often by means of a customs protection policy practiced over a long period - and those which are in the initial stage of their industrial development and still dependent, where their foreign trade is concerned, on one or just a few primary commodities.

This apparent equality involves a marked and unjust inequality which is precisely what the Economic and Social Council intended to prevent when it sanctioned the recommendations already mentioned several times.

Furthermore we shall comment briefly on the terms of the Draft Charter relating to the above matters.

Tariffs. Article 18 of the Draft Charter provides that Members shall enter into international negotiations directed to the substantial reduction of tariffs on imports. Paragraph 3 of this same Article defines the procedure by which a Member of the Organization who considers that another Member has failed to fulfil its obligations may refer the matter to the Organization which shall investigate the matter and in certain cases apply specific sanctions.

It is obvious that this system creates a very disadvantageous situation for less powerful and influential countries, as the negotiations in question will proceed without prior commitments providing any other guidance beyond that relating to the extent of the reductions to be applied to the tariffs. The Government of Colombia considers that this latter measure must be completed by introducing the concept that for countries still in the initial stage of their industrial development the extent and degree of reduction must be governed by the need for these countries to diversify their

production and progressively become industrialized. For it to be founded on a just and realistic basis, the Charter must recognize that without a certain degree of customs protection such diversification and industrialization cannot be achieved. There is no need to dwell on the many reasons which justify this opinion. It is obvious from the considerable superiority which some nations already possess over others in the industrial field, and from certain factors such as technical preparation, abundance of capital, the widening of the market already acquired which guarantee them success in competition with the nascent industry of less developed countries. The Draft Charter recognizes this situation, when, in Article 29 relating to emergency measures, it provides for the possibility of international competition causing serious injury to domestic producers.

It will be contended that this emergency clause was inserted to meet the very situation now under consideration. But even a superficial analysis will show that this clause is by no means sufficient since it only provides for what can be done when, by means of reduction of tariffs or other means, international competition reaches a point where it causes injury to industries already established in a country. However, it loses sight of the fact that if new industries are to be established in a given country, this can only be accomplished on certain solid foundations, with certain guarantees of security that only a protectionary tariff can provide. A thorough consideration of the question will show that the emergency clause was conceived merely to avoid total and sudden ruination of industries already existing in certain countries but without considering whether it might be opportune or necessary that these countries should develop new industries.

Quantitative Restrictions. In respect of the standards defined in Article 19 of the Draft Charter, relating to quantitative restrictions and notwithstanding that Article 20 allows for certain restrictions being

imposed in certain circumstances to restore the equilibrium in the balance of payments, it is suggested that it is opportune to allow quantitative restrictions on imports connected with government measures tending to regulate or control production, supplies, or prices of similar home produced articles.

State Trade. Article 27 of the Draft Charter also gives rise to objections similar to those stated with regard to tariffs. Indeed this Article states that if any state monopoly be established in respect of the import of any product, the margin between the cost price and the selling price shall not be greater than the maximum rate of import duty which may have been negotiated in the agreements which the Members of the Organization undertake to conclude. Here again we must not lose sight of the principle already laid down that the necessity of making substantial reductions in tariffs must take into account the fact that certain countries have to diversify their production and become industrialized, since this obligation extends to cases where, for one reason or another, a country resorts to state monopoly trading in the import of a given product.

3. Finally the Colombian Government desires to draw the attention of the Preparatory Committee to Article 33 of the Draft Charter relating to customs unions and frontier traffic.

In accordance with the standards laid down in this Article special advantages could not be granted to adjacent countries for the import or export of certain commodities, unless the same advantages are extended to other Members of the Organization. Facilities for frontier traffic only would be excluded from such a scheme unless a complete customs union were achieved such as defined in paragraph 4 of this Article.

This would appear to be too restrictive in respect of natural neighbourly relations which often result in preferential treatments quite as justified and warranted as those provided for by paragraph 2 of Article 8 of the Draft.

4. In addition to the above observations made in support of the recommendation addressed to the Preparatory Committee by the Economic and Social Council, the Colombian Government wishes to express to the Committee its deep belief in the advisability of establishing a vast system of international trade co-operation, and an organization to control it, in accordance with the view of the Economic Council and the proposals made by the Government of the United States. The Government of Colombia agrees with most of the suggestions contained in the Draft Charter prepared by United States experts but at the same time considers that the high international ideals which this Charter aims to achieve will be attained more completely and more definitely if countries economically undeveloped are granted the treatment best suited to their particular circumstances.

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