1. I have the honour to submit to the United Nations Plenary Conference on Trade and Development the Draft Charter prepared by the Preparatory Committee established under the decision of the Economic and Social Council of 19 February 1944.

The Preparatory Committee of which I have the honour and pleasure to be the Chairman held two sessions, one in London from 15 October to 26 November 1946, and the other in Geneva from 10 April to 30 October 1947. Between the two sessions a Drafting Committee met in New York from January 20 to February 28 of 1947.

Altogether, the Preparatory Committee held nearly 450 meetings in connection with the drafting of the Charter, and at least 1000 meetings in connection with the bilateral negotiations which led to the adoption of the General Agreement on Tariffs and Trade. I do not think that there are many conferences which have accomplished so much work within an equal period of time. This is definitely the result, on the one hand, of the spirit of cooperation which animated the various delegations and, on the other, of the zeal and efficiency of the Secretariat.

2. The Draft Charter we have prepared is a composite product. It has four quite distinctive and well defined objects.

Its first object is to give international trade relations by means of a universally recognized code of rules the security they required. In the present state of affairs these rules result from commercial treaties. The clauses of such treaties are not all alike, however. They are not sufficiently general in
character. They are sometimes contradictory and the majority of them are ill or not at all adapted to the new technics of commercial policy. It was necessary to reconsider, clarify and codify them. I shall mention at this point the most favored nation clause, clauses dealing with quantitative restrictions with transit subsidies, anti-dumping and counter-vailing duties, customs formalities in general and so on. We have even been caused to go far beyond the scope of ordinary commercial treaties and to establish completely new rules regarding restrictive business practices, that is to say, agreements concluded directly between private interests with the object of restraining competition by fixing prices and export quotas and by sharing markets. Such agreements have as much influence on trade as ordinary commercial agreements. It would be impossible to conceive of a complete code of rules for commercial policy which did not cover such practices. It is the first time an inter-Governmental agreement has entered this field which was formerly left to the discretion of private interests.

3. The second object of the Charter is the establishment of an Organization including on the one hand bodies meeting at regular intervals and, on the other, a permanent administration seeing that the rules laid down by the Charter were respected and settling any disputes or claims which might arise in international economic relations, either by mutual agreement or by means of legal proceedings. In this sphere, the Draft Charter calls, among other things, for the constitution of an International Trade Organization and establishes its Statutes.

4. The third object arises from Article 17 which states that members shall enter into mutual "negotiations directed to the substantial reduction on tariffs and other charges on imports and exports and to the elimination of preferences ... on a reciprocal and mutually advantageous basis." We have already begun to put this part of the programme into effect. On 10 April the States
represented on the Preparatory Committee began negotiations among themselves which were continued uninterruptedly for six months culminating in a multilateral agreement, to which the final touches were put on 30 October last. This agreement, which was made public only a few days ago, is the largest undertaking of its kind ever to be realized. It includes the results of some 100 bilateral negotiations carried out at Geneva. Each country makes a direct offer to the other country of all the tariff concessions made by it, either in the form of reductions, bindings or the reduction or abolition of preferences. Thousands of tariff items have been affected. The trade thus involved is estimated at $10,000,000,000 or more than half the import trade of the countries represented at Geneva and a little less than half the pre-war world import trade. The amounts of some countries are in the neighbourhood of 10 per cent.

The comprehensive list of concessions is preceded by a number of clauses which are costly drawn from the Draft Charter and guarantee the entire value of the concessions until the Charter comes into force.

The first part of this international agreement reaffirms the principle of most-favoured-nation treatment as stated in Article 11 of the Draft Charter. It imposes on the countries which negotiated the concessions the obligation to observe and to maintain them. It provides that the countries concerned may enter into joint consultations if they consider that a product included in the list of concessions is not receiving the treatment accorded in the agreement.

The main purpose of the second part of the General Agreement is the reaffirmation of a number of principle provisions of Chapter IV of the Draft Charter (commercial policy) and to some extent of Chapter III (economic development).
The third part deals with subjects raised by the agreement itself and not included in the Charter. It is important to note that countries participating in the agreement are to meet regularly and that their first meeting must be held before next March. If the Charter has not come into force within a reasonable time, measures to amend, complete and maintain the General Agreement are contemplated, if that should be necessary.

By a Protocol open for signature from 30 October 1947, Australia, Belgium, Luxembourg, the Netherlands, Canada, France, the United States and the United Kingdom have undertaken to put the agreement into effect on a provisional basis as from 1 January 1948.

Article 17 lays down the conditions under which other countries may participate in the agreement.

5. But that is not all. Neither the establishment of principles nor the formation of an organization to provide a general safeguard and machinery for conciliation and arbitration can suffice for maintaining and expanding trade. I will quote at this point what I said at Geneva: "The law provides security. It does not establish anything by itself. One might even go further. The re-establishment of free trade by itself would not be enough. There must also be definite co-operative action in the fields governing trade, namely production, consumption, employment and general economic development, and in particular the general economic development of the under-developed countries. In all these fields the action to be taken is primarily dependent upon national sovereignty. Each country must have its own policy. But the various policies thus involved would run the risk of conflicting with one another if they were not controlled by concerted action." The rules for such concerted action form an important part of the Charter and are its fourth object.

Similarly, mention may be made of the rules laid down in regard to inter-Governmental commodity control agreements. The regulation of the production and consumption of, and trade in, primary commodities has been recognized as necessary in a number of cases. Procedure has been established whereby such
control can be exercised in a manner conforming with the general purposes of the Charter.

6. Our work, such as it is, is not complete. In spite of the good will shown by all, it has not been possible to reach unanimity on a certain number of points, and some delegations have made reservations regarding various clauses. There are also a certain number of questions which have been left open. After careful consideration the Committee recognized that it was not qualified to settle them and that this task could only be performed by the Plenary Conference. It has prepared alternative solutions regarding such points, however, and is submitting them to the Conference.
This solution was adopted, as regards voting arrangements (Art. 72), the composition of the Executive Board (Art. 75), the interpretation and settlement of differences (Art. 89 to 92), and finally relations with Non-Members (Art. 93).

7. Our work is not only not complete, but is also not perfect. It is with the greatest modesty that we are submitting to you the results of our work. We are not unaware of the criticisms levelled against it, of which two in particular must claim our attention.

The first of them may be summarized as follows: The Charter could have been useful, if it had been comprised by a combination of strict rules. Unfortunately that has not been the case. It contains a large number of exceptions, resolutory and even escape clauses, so that it does not afford any real assurances but only precarious and hazardous guarantees. I will reply frankly and say that these criticisms are well founded. The situation with which we are confronted, and which is also confronting the present Conference, must now be forgotten, however. If all countries were at the same level of economic development and had the same form of commercial policy, similar monetary resources and policies and comparable responsibilities, it would be a fairly simple matter to evolve a strict code. That is unfortunately not the case. After this war, which has undermined the very foundations of the machinery of trade and has ruined many States, the burdens, needs and the possibilities of various countries are profoundly different. The problem was one of finding formulas making it in the interest of each country to subscribe to the Agreement, whilst placing the same burden of obligations on each. On the other hand, the Charter must respect the autonomy of each party, the autonomy of those countries having State monopolies and whose foreign trade itself is
a monopoly, and that of those whose foreign trade is designed for purposes of reconstruction of industrial development or of price-stabilization. All the rules of the Charter must be acceptable to these various types of countries and be adaptable to the nature of the different economic systems involved.

For the above reasons, our work could only be one of compromise. Its weakness should not, therefore, cause either surprise or alarm. The Charter is continuously growing. Its text affords opportunities for revision. Furthermore, both the work of the bodies to be established and the International Trade Organization itself will continue to improve the present text.

8. The second criticism in question is directed against the character of the Charter itself. It is reproached for being academic. It is considered to afford but few solutions to the distressing problems which the various countries have to face to-day. The conclusion of the General Tariff Agreement fully demonstrates what may be expected of the Charter and of those who have signed it. They were at pains to comply with one of their major obligations even before the Plenary Conference came to consider their work.

It is something of a consolation, on the other hand, to note that the Conference of Sixteen which met at Paris to study Europe's difficulties referred to the Charter on several occasions and made certain recommendations regarding it. No better tribute than that can be paid to the concrete and practical character of our work.

If a further example of that realism were required, I could refer to the stand taken in regard to preferential agreements. The rules of commercial policy in this respect were extremely strict before the war. As regards normal relations between countries not forming part of the same political entity, there were two possible formulas: on the one hand, the most-favoured-nation treatment, and, on the other hand, a customs union. Any other scheme was heterodox.

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On that account, for example, such attempts at gradually lowering tariff walls as the Ouchy Convention, signed in 1932 between the Netherlands, Belgium and Luxembourg, were abortive. The Economic Committee of the League of Nations drew attention to that deficiency on several occasions and even proposed solutions. It can now be seen that under Article 42 of the Charter, before the effective entry into force of a customs union, transitional stages having a preferential character may be contemplated. Similarly, Article 15 provides that under certain circumstances preferential arrangements may be concluded in the interests of the programmes of economic development or reconstruction of one or more countries.

In this respect, as you know, thirteen of the countries which participated in the Conference of Sixteen at Paris to draw up a table of Europe's economic needs decided to study the possibility of concluding a customs union between the European countries. This study group, comprising delegates or observers from twenty-two countries, met at Brussels on 10-15 November. After certain statements, inter alia those of the representatives of the Netherlands and of my own country, had been heard, it was decided to establish a Preparatory Committee which should be entrusted with assembling technical information. A second meeting is contemplated for the last two weeks of January 1948.

 Gentlemen, I will say no more about our work.

We have tackled the matter three times. We have reconsidered the main questions confronting us at least twice. I sincerely believe that the texts which we are submitting to you today not only take the concrete difficulties which we all have to face in our foreign trade relations more fully into consideration, but also, as regards coherence, logic and clarity, constitute an improvement on the texts drawn up at London and New York.
Our work is one of good faith in every sense of the term. We should be happy if you should accept it as such, and even happier if you could find solutions to the particularly controversial issues involved which are superior to our own. On my own behalf and on behalf of the countries represented on the Preparatory Committee, I wish the Plenary Conference good luck.

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