The CHAIRMAN opened the meeting and called upon the delegate of Denmark to speak.

Mr. WAERUM (Denmark) recalled that during the inter-war period all countries had endeavoured through measures regulating foreign trade to safeguard their own economies without thinking of world economy as an entity. As a result, the volume of foreign trade had been diminished, and in a majority of countries productivity and the standard of living had decreased.

The agreement on the International Monetary Fund and the International Bank had been a first step towards the establishment of more stable conditions. These measures were in themselves insufficient and would require to be supplemented by measures to ensure a freer exchange of goods.

Before the first world war the gold standard dominated international payments, and was a useful instrument in the economic conditions which prevailed at that time.

As a result of the war, world economy had been dislocated. European productivity had declined in a number of fields, thereby causing the competitive power of Europe to diminish.

The first condition for useful application of the rules which were now going to be laid down for trade and employment was the repair of the damage caused. Not until this had been realized and productivity increased would conditions exist for the full operation of the Charter. It would have been desirable if the Charter had been divided into two parts, one comprising the basic principles and the permanent exceptions, and one comprising the rules applying to the period of reconstruction - the transitional measures. It was too late to introduce this idea.

The Conference should direct its efforts towards the laying down of a policy for trade and employment, thereby making it possible to establish a freer exchange of goods among countries with a well balanced economy. It was not quite clear whether this balance could be realized. The great development that had taken place in certain countries since the first world war in the technical and organizational fields might make it difficult to re-establish the
re-establish the free world trade of pre-war times.

This has to a certain extent been taken into consideration, for instance, in the chapter on Industrial Development, which allows economically undeveloped countries to apply certain protective measures to enable them to become capable of competing with more highly developed countries. It was of great importance that well-developed countries should not be allowed to make use of the same provisions.

A provision of far-reaching importance laid down in the Charter was that each country should be obliged to maintain full and productive employment at home. This, too, was something new. It was not sufficient to lay down certain rules for a free exchange of goods; it was necessary also to establish appropriate conditions for the observance of these rules, and in case of widespread unemployment it would be difficult to apply them.

The causes of the crisis of the "thirties" were today fairly clear, and it was agreed that for economic as well as for political reasons the risk of widespread unemployment had to be avoided. On the other hand, it was not yet possible to foresee what problems might have to be faced in the fields of commercial policy and currency policy as a consequence of full employment. In some countries full employment would bring about a tendency towards a rise in wages, which might make it difficult for that country to compete on an equal footing with countries where wages were less liable to rise.

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The Danish Government was disposed positively towards the important proposals which were to be discussed, for Denmark had always followed a liberalistic line in her commercial policy, and Danish economy was highly dependent on foreign trade. Only if foreign trade were expanded, could Denmark maintain its high standard of living.

It was most important that the organization should be a world-wide one. But if this could not immediately be achieved, it was imperative for Denmark to maintain her liberty to trade on a non-discriminatory basis with non-member countries.

He paid a tribute to the valuable work done by the Preparatory Committee in establishing the Draft Charter, and assured the meeting of the sincere wish of the Danish delegation to co-operate in the task of the Conference. (For fuller text see Press Release ITQ/42).

Mr. ESPAHANI (Pakistan) declared that his country associated herself with the efforts to set up an International Trade Organization under the auspices of the Economic and Social Council of the United Nations, the ideals of which could only be attained if the nations set themselves wholeheartedly to the task, appreciated the difficulties of one another and conceded what could be done to fulfill our obligations as members of the comity of nations.
Pakistan was primarily an agricultural country and produced some of the most important basic raw materials such as cotton and jute. She had an abundance of unsurveyed and untapped mineral wealth. Her primary need was to industrialize as quickly as possible in order to attain a balanced economy, by reducing the pressure on land, giving employment to millions and raising the existing low standard of living of her masses.

The need for industrialization would make heavy demands on her revenues. It would be unwise to mortgage the resources of the country and think in terms of highly advanced countries. To say that the undeveloped countries could adopt a different line of action than that which the industrialized countries had followed in the past, was to deny to them the benefit of age long experience and to force them to perform new experiments which might prove to be hazardous and costly.

While paying a tribute to the work done by the Preparatory Committee at Geneva, he felt that due attention had not been paid to the requirements of undeveloped and under-developed countries. These countries required positive assistance and a more liberal treatment than that accorded to them in the Draft Charter. In return, such countries would naturally be prepared to encourage the flow of foreign capital and importation of talent to the maximum extent consistent with the declared policy of their governments. The prerequisite of such encouragement was the grant of reasonable facilities and adequate security.

Unless effective steps were taken to ensure the availability of funds in the currency required, international trade was likely to be hampered. Multilateral convertibility of various currencies was the best means of providing access to the cheapest market. This was primarily a matter for the International Monetary Fund and the International Trade Organization would no doubt endeavour to seek this objective through the good offices of the Fund.

One of the most important operative parts of the Draft Charter was that which related to the expansion of international trade by the extension of the "most favoured nation" treatment by members to one another without distinction, and the elimination of preferences and reduction of tariffs. Pakistan had taken part in the trade negotiations which had been conducted at Geneva and had signed the general agreement on trade and tariffs drawn up by the participating countries, subject to the formal approval of her Legislature.

He emphasized that Pakistan came into existence barely two and one half months before the act was signed by her representative. When negotiations were under way at Geneva, British India was still undivided. Even at present Pakistan felt considerably handicapped in examining effects of the Agreement on her
Agreement on her economy. Nevertheless in the belief that their interests would not go by default, and that their desire to offer fullest co-operation in the international field was met, they had signed the Agreement.

The Pakistan delegation felt that this Draft Charter must, in parts, be substantially amended to give full weight in unambiguous language to the views of the undeveloped and under-developed countries which comprised an overwhelming majority of the peoples of the world to whose welfare the Organization was pledged. (For fuller text see Press Release ITO/44).

Mr. RACZKOWSKI (Poland) in pointing out that Poland had not taken part in the preparation of the Draft Charter reserved, for the time being, the attitude of his delegation which had some serious doubts with regard to this draft. This did not mean that Poland considered a major part of its provisions as unacceptable. Since the liberation Poland was engaged in applying an economic policy, the main objectives of which were full employment, the raising of the standard of life, and the expansion of world trade. Poland had often been accused of being against multilateral trade, and constantly reminded that its trade agreements with foreign countries were almost exclusively of a bilateral type. While admitting that this was the case, he explained that this was because of the difficult situation after the war, partly due to the particular structure of Poland's foreign trade but mostly due to the unstable monetary situation in Europe. His country was turning gradually towards a more liberal form permitting a certain degree of free transfer of exchange. He thought that the principle of non-discriminatory treatment of all members of the Organization could be applied only when economical conditions could warrant such equality. In the last few decades, however, the trend of the economics of different countries had not been toward equalization, in fact, quite the reverse. The last war, with its terrific destruction, had accentuated these differences. After the war, differences in the economic situation of different states, and in the standards of life of their citizens had become bigger than ever before. In such circumstances, the application of the principle of non-discrimination to international trade without reference to the different levels of economic development seemed to be extremely difficult and would remain difficult for years to come.

While the Draft Charter provided for a transitory period and included special provisions, it seemed that its authors were too optimistic in evaluating the length of time needed to improve this situation substantially. The experience of the Bretton Woods agreement should be borne in mind. Then, the restoration of the convertibility of national currencies had been expected to come much sooner than it now seemed probable. Similar mistakes in respect to the ITO Charter should be avoided, he cautioned. In view of the actual economic situation of the
world he thought it might perhaps be better to postpone the introduction of permanent rules governing international trade. If, however, some international agreement on trade was considered essential, the basis for such an agreement should be the reverse of what had been accepted by the authors of the Draft Charter.

The exceptions should constitute the core of the Draft Charter, and provisions should become gradually more liberal as the economic condition of the world improved. Such an approach to the problem would be more realistic and would be more easily acceptable to many countries. He also referred to the inter-relation between employment and international trade on one hand, and international financial and investment policy on the other.

At Bretton Woods it had been said that no international equilibrium could be reached in the field of money and finances without the proper solution of the problems of employment and trade. Today, this argument could be reversed, particularly with respect to the war devastated or the undeveloped countries. While they could increase their share through their own effort, their task could be shortened and facilitated by help from abroad. In the war devastated areas, even limited importations, especially of capital goods, could contribute to the elimination of economic bottlenecks, to an increase of production, an improved standard of living of the population and an increase in foreign trade.

As an example he cited the Polish coal production which could be substantially increased by importing a certain amount of mining equipment which Poland did not produce. The Polish food production too could be increased if fertilizers, draft power, and agricultural machinery could be imported. Unfortunately, Poland could not afford such importations and as a result, Polish production was developing more slowly than necessary. This situation he ascribed to the fact that for political reasons, Poland like certain other countries was subjected to some kind of credit blockade on the part of national investment capital.

The flow of capital goods was based mainly on political and not on economic considerations. This flow was being directed mainly towards comparatively wealthy countries, while others, devastated during the war, through no fault of their own, or undeveloped, were left without help.

Firstly, such an investment policy would deepen the economic inequalities discussed a while ago, and secondly, it would force all countries which are denied outside help to rely on bilateral agreements so as to safeguard their balance of payments. It was a hard necessity into which a poor country was forced when it was unable to obtain free exchange through some international credit arrangements. The result of the present investment policy was nothing less than undermining the foundations of the Charter, thus making a general
introduction of multilateral trade - a very remote possibility.

Poland was now a war devastated country with the huge task of reconstruction and striving hard to develop its resources. The Polish delegation, therefore, would watch the discussions regarding the ITO Charter, from those two points of view. Poland was very much interested in all aspects of international trade and its development; the more so since international trade was of greater importance to the new Poland, than to the old. She was now the greatest exporter of coal in Europe, and exported an ever growing variety of other goods. Poland had entered into trade relations with nearly all European and numerous countries overseas and had steadily developed and enlarged her commercial relations. As soon as agricultural production was restored to a more normal level, Poland would resume its traditional export of foodstuffs, thus further increasing its share in international trade. (For fuller text see Press Release ITO/39).

Mr. SAHLIN (Sweden) explained that Sweden had not participated in the preparatory work for the drafting of the Charter but had followed this work with intense interest.

The objectives of the Conference were in harmony with the general lines of economic policy which Sweden had tried to follow. Sweden was in a high degree dependent upon her foreign trade, and it was definitely in Sweden's interest that the same conditions of multilateralism should prevail for world trade.

In drafting the Charter attention had been drawn to the risk that countries being subject to deflationary tendencies might restrict their imports and thereby provoke a shrinking of world trade. Developments lately had proved the existence of the opposite risk, namely of inflationary tendencies upsetting the balance of payments and leading to import restrictions.

Steps would have to be taken to reduce the acute tensions prevailing between different markets. In the case of Sweden, events had shown the difficulties arising out of the existing post-war economic and political conditions. Before the war Swedish foreign trade and shipping had had their main source of income in Europe and the wider sterling area. These conditions had changed. On the one hand, Europe and the sterling area had declined considerably in importance as sources of supply; on the other hand, it was no longer possible to use the proceeds from exports and shipping derived from Sweden's traditional markets in Europe and elsewhere to pay for an import surplus from hard currency countries. Sweden was forced to import goods from the hard currency area to a much larger extent than before and had been compelled to base her commercial and economic policies for the present on the assumption that Sweden would have to balance its payments with hard-currency countries.
The objective of multilateral trade should not be lost sight of even if, for a transitional period, bilateral arrangements on quotas etc. might prove valuable. During the last years such arrangements had no doubt contributed to the revival of international trade on a larger scale than conditions would otherwise have allowed. Such bilateral agreements had created new possibilities of trade, thus indirectly furthering the general objectives of the Charter.

It had been hoped that the period of post-war reconstruction would be comparatively short and that it would soon be possible to revert to the relative freedom of interchange prevailing in pre-war days. It had now become apparent, however, that the reconstruction period would be of much longer duration than had been expected. It could be questioned whether the present time was suitable for precipitating a solution of this complex problem. If the problems were not tackled now, however, grave inconveniences would arise. During the later stages of the preparatory work, special attention had been given to the conditions of the transitional period. The inclusion of the transitional clauses had, however, made it possible to pave the way for immediate practical solutions.

Certain clauses of the Charter provided exceptions for meeting the special interests of certain groups of countries, in order to ensure the participation of the largest possible number of countries. It was of importance that the organization should be commonly adhered to. The relations between Member and non-Member states had not been defined in the Draft Charter and would be discussed at this Conference. It was urgent that the Charter should not contain provisions obligating members to discriminate against such states and that each Member should retain his liberty of action should the organization not become universal.

His delegation would raise a point he said, concerning the Swedish Government's long-range policy with regard to agricultural production aiming at securing for the rural population of the country the same social and economic standards as other population groups now enjoyed. A policy of this character was in harmony with the general objectives of the United Nations Charter, and would be more fully explained in Committee. (For fuller text see Press Release ITO/35).

Mr. CLAYTON (United States of America) saw reasons for encouragement in the field of economic relations despite obstacles everywhere and pointed to the establishment of a basis for lasting international co-operation in food and agriculture and in money and finance. He praised the notable accomplishments of the Preparatory Committee at London and Geneva leading up to this Conference, and the General Agreement on Tariffs and Trade negotiated at Geneva.
The Draft Charter, designed to provide a common code of conduct in international trade, was the key stone in the basic structure of co-operation and discussion in international economic relationships. Without it, nationalism would rule in the economic and political world, shattering our hopes for a prosperous and peaceful world. Between world wars I and II, nations had acted unilaterally in international economic affairs. Such action would benefit a nation only until other nations took similar action. In the end, all countries had been hurt and embittered.

He stressed that increased production was the most pressing economic problem now confronting the world, since there were not enough commodities available. Some day surpluses would again have to be faced. Under the system of international division of labour on which our modern society rested, individual nations produced of some things much more than they could consume and of other things less than they required. Under a proper system of exchange the world should have no surplus problems. Despite the preoccupation with the problems of production and of aid for the restoration of war-shattered economies a charter for organizing the world effectively for international economic co-operation was urgently needed, as otherwise all efforts would prove futile; restored productivity would again bring unmarketable surpluses and starvation prices; any aid provided would be a mere palliative.

The Charter was a vital part of the plan for a different kind of world with the purpose of so organizing international trade as to bring about a great increase in the production, distribution and consumption of goods throughout the world. This would mean, of course, the sound development of the resources of the world and the acceleration of industrialization. The United States had repeatedly demonstrated its belief in this policy through the extension of credits, technical assistance and otherwise, and its best customers had always been the developed countries like France, the United Kingdom, and Canada.

He insisted that economic development could only proceed safely and profitably through the adoption of constructive measures; negative and restrictive measures would be fatal. Nevertheless, the United States had gone far to meet opposing points of view. The resulting compromise contained in Chapter 3 of the Draft Charter permitted a greater measure of restrictionism than he believed to be wise. But he was prepared to accept it, if general agreement would thereby be obtained.

The Charter aimed at the maintenance of internal economic stability; it recognized that trade should be freer than it was today; that it should be multilateral rather than bilateral; that it should be non-discriminatory.
The Charter provided also that cartels should be prevented from operating to restrict and limit international trade, and the United States was in full agreement with all these matters.

None of these things were possible if nations were to retain unbridled freedom to place restrictions on their trade. Nor should the Charter be overloaded with a multiplicity of exceptions and escape clauses. A charter in which the basic provisions of commercial policy were materially diluted could not be accepted by the United States.

The representative character of the Preparatory Committee should have been ample guarantee that the Draft was not confined to the needs and interests of any small group of states. On the contrary it was designed to meet the needs of all nations.

This was not to say, however, that the Draft Charter was sacrosanct or that there was no room for improvement in detail. However, before insisting upon amendments, those countries which had not been members of the Preparatory Committee should examine very closely the provisions they were inclined to question, and satisfy themselves that their objections had not already been seen and exhaustively considered in the formulation of this draft.

He moreover asked those countries that were members of the Committee to re-examine any reservations that they might have attached to particular points in the draft and to withdraw them wherever they could.

He was confident of maintaining at this meeting the spirit of understanding and co-operation which had characterized the meetings of the Preparatory Committee, and of bringing the work here to an early and a successful conclusion.

The decisions taken in Havana would certainly fix the pattern of international trade for many years to come. There were only two roads open to the world, one leading to multilateral, non-discriminatory trade with a great increase in the production, distribution and consumption of goods and happier relationships between all countries; the other leading to economic nationalism, bilateralism, discriminatory practices, a lowering of the standard of living and bad feeling all around. It was up to this Conference to choose which road to take.

Mr. DE MOYA (Dominican Republic) emphasized the desire of his delegation to co-operate in achieving the principles embodied in the Draft Charter, and to take part generally in international co-operation, in order to help to erase the difficulties which had arisen as a result of the war. The problems before the Trade and Employment Conference were, so to speak, nuclear matters around which all the international organizations would gyrate. If the work of the Conference were successful, the political aspects
of the work of the United Nations would be facilitated.

The greatest need, however, was for reciprocity. The Draft Charter did not appear to be acceptable because it did not offer an equitable solution within the disequilibrium which was acknowledged to exist between the different countries. Moreover, it merely made abstract declarations of principle with regard to economic development. Those who had come to the Conference had done so in order to establish the bases of an organization to regulate national economies, with a full awareness of the sacrifices this implied. It was necessary to give, before receiving, and a helping hand would have to be extended to all nations to aid them in the achievement of a higher standard of living. This was the spirit which must animate the Conference, in order to prevent its breaking down through the pursuit of self-interest as other Conferences had. International commerce had to be organized on a just and equitable basis. It was a matter of vital economic importance to raise the standard of living of all peoples, and he was sure that the efforts of the Conference would be blessed by Providence.

The aim of the Draft Charter was to fulfil these aims and bridge the fundamental differences between the nations. Certain countries were more backward and needed more assistance. All could not be measured with the same yardstick. He would not enlarge upon this theme, which had been amply developed by previous speakers, but it brought him to the problem of customs tariffs.

The Dominican Republic had been described as the Cinderella of the Caribbean. She had few natural resources, and entered the world of commerce on the lowest rung of the ladder. Only the spirit of self-sacrifice of her people, under the wise guidance of her Government, had enabled her to arrive at her present position. She did not enjoy preferential treatment or quotas, and she had had to beg from door to door to sell her products. The Draft Charter should be so framed as not to discriminate against particular countries or to crystallize the faits accomplis which had developed during the last few years. His country had reduced her customs tariffs as a step towards the fulfilment of the Charter.

He concluded by paying a tribute to the work of the Preparatory Commission in drawing up the Draft Charter, and expressed faith in the achievements of the present Conference.