E/PC/T/C.II/PV/9

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

PREPATORY COMMITTEE
of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report

of the
NINTH MEETING
of
COMMITTEE II
held in the
Hoare Memorial Hall,
Church House, Westminster, S.W. 1.
on
Friday, 15th November, 1946
at 11.30 a.m.

CHAIRMAN: DR. H. C. COOMBS (Australia)

(from the Shorthand Notes of
W.B. GURNEY, SONS & FUNNELL,
58 Victoria Street,
Westminster, S.W.1.)
E/PC/T/C.II/PV/9

Corrections to the Verbatim Report of the Eight Meeting
of Committee II (E/PC/T/C.II/PV/8), Thursday, 7th November, 1946:

Page 36, line 13, to read "MR C.I.TUNG" instead of MR S.H.HSU (China)."  
Page 36, line 21, to read "No fixed date could be applied to all countries. Besides," instead of "No fixed date could be applied to the Articles."  
Page 36, line 30, to read "In regard to the question as how to" instead of "In regard to the section to"  
Page 36, line 31, delete "the requirements of quantitative restrictions."  
Page 37, line 1, to read "industrial development, of under-developed countries, we have prepared a paper to suggest that there should be inserted in this Section a separate Article, to be entitled 'Restrictions to facilitate industrial development.' But I will not take any time of this Committee until that paper is submitted."
THE CHAIRMAN: Gentlemen, the purpose of this meeting this morning is to hear from the representatives of the International Chamber of Commerce and the World Federation of Trade Unions a statement of their views in so far as they affect the work of this Committee. The procedure which I suggest to you is that we should invite the representatives of those organisations to make a statement verbally. They have, of course, already circulated to the Conference as a whole statements on different aspects of our work. It has occurred to me that some delegates may wish to put questions to the representatives either on statements which they have issued or views which they have expressed this morning or perhaps for the purpose of seeking enlightenment on any of the matters which come within the scope of our work. Is that procedure acceptable to the delegates? If so, I would call on the representative of the International Chamber of Commerce to make a statement to the Committee.

MR WALLACE B. PHILLIPS (International Chamber of Commerce): Mr Chairman and gentlemen, I greatly appreciate this opportunity of saying a few words before a Committee which is discussing matters that are of particular importance to the members of the organisation I represent.

Before proceeding to details, I should explain that arising out of the nature of our organisation and the arrangements made for consultation at this Conference, it should be understood that as the delegate of the International Chamber of Commerce I am representing and speaking in the name of the leading trade, industrial and financial organisations of thirty-one countries, and that to give a true consensus of opinion of all these interests, based on our machinery of consultation and investigation, unfortunately requires a great deal more time than we have had at our disposal. Moreover, everyone here will agree, I am sure, that unless a person is constantly involved in the day-to-day discussions, it is most difficult to keep up with the rapid progress of a Conference such as this and therefore almost impossible to interpret the views of the International Chamber of Commerce in terms of what has been decided by the several Committees and Sub-Committees. Will you therefore forgive me if some of my remarks appear a little bit out of date?

You have received the International Chamber's Brochure No.101.
together with supplementary suggestions circulated as document E/PC/T/9 of 8th November, 1946. These represent the considered policy of the International Chamber as so far defined by its Council.

The most complex sections of the work of this Conference are the commercial policy provisions of the future International Trade Organisation Charter. Undoubtedly, the most valuable contribution the International Chamber of Commerce can make to your work will be at a later stage when we can go through article by article the provisions agreed upon at this meeting. We shall do this as soon as the Conference documents are published, and we hope to have available before the next meeting of the Preparatory Committee and, in any case, before the International Conference itself, a detailed commentary stating the views of world business on the Proposals elaborated by the Government experts. I shall therefore concentrate on a few general aspects of the subject in the hope that some, at any rate, of my remarks will be useful in the final drafting.

The first point I would make is this. At a later stage the Governments may find that the political and economic difficulties from which most countries of the world are suffering at the present time may turn out to be an insurmountable obstacle in the way of adopting a really detailed Charter covering all possible contingencies. That was the International Chamber's fear when it first studied the admirable Proposals put forward by the United States Government. We felt that perhaps the intention was too ambitious for the present state of the world. In other words, there appeared to be two alternatives. One was to agree upon a simple statement of objectives defined as precisely as possible, allowing merely in general terms for countries at present unable to realise those objectives to catch up at a later date; and the other was to work out everything in great detail allowing for each country's individual problems and idiosyncrasies. The International Chamber of Commerce favoured the former, mainly because it felt that the inclusion of every country's particular emergencies might make agreement possible in words, only to be nullified in acts later.

As an illustration, the International Chamber has undoubtedly been worried by the number of detailed exceptions and, in some cases, permanent
exceptions, to the general principles of the proposed agreement. Obviously, there would be little point in discussing these matters at great length if the resulting agreement were to be merely a reflection of what already exists without effecting any fundamental change. This is merely what the International Chamber of Commerce feared, and perhaps this Preparatory Committee has succeeded—we sincerely hope so—in avoiding the dilemma.

Another point upon which the International Chamber has placed great emphasis is the need for translating international cooperation into practical terms. It seemed to the Chamber that a practical test of whether people really meant something by expressions of willingness to co-operate would lie in their willingness to accept some form of international arbitration for disputes with other countries. If a given country is authorised by the Charter to do something in certain specified circumstances and acts accordingly, and some other country holds that the justifying circumstances do not actually exist, it is not enough to have a mechanism of investigation or even of investigation coupled with some form of sanction; there must be a readiness to accept the decision of some impartial international body. It seemed to us that the only way in which this could be achieved would be by the prior acceptance in the Charter itself of international arbitration as a recognised system of settling at least those disputes which do not involve matters of essential policy for the countries concerned.

My third point is that the members of the International Chamber of Commerce will certainly be unanimous in their approval of the prominence given in this Conference to the most-favoured-nation clause. In the original Proposals of the United States Government there was almost no reference to this valuable instrument of achieving non-discrimination and multilateralism. This has now been remedied, and the International Chamber would merely urge that the exceptions to most-favoured-nation treatment provided in the Charter be as few as possible and as clearly defined as possible.

Before concluding these very general remarks, may I express my appreciation of the unfailing kindness and courtesy we have received
from everybody connected with the Conference, and pay a very special tribute in this respect to the extremely hard worked Secretariat.

Mr. Chairman and gentlemen, our members in all countries are looking to the Conference with very great hope and the most profound wishes for its success. Its failure would be an international disaster, and if the International Chamber of Commerce can in any way contribute to staving off that disaster, you may be sure of our unstinted collaboration. I thank you.

THE CHAIRMAN: Would any delegate wish to put any questions to the representative of the International Chamber of Commerce? If not, it only remains for me to thank the representative of the International Chamber of Commerce for his very helpful statement and hope that this will not be the last opportunity for us to obtain the benefit of the wisdom and experience of his organisation.

I understand that there has been some delay in the arrival of the representative of the World Federation of Trade Unions, and I would suggest, therefore, that the Committee might adjourn until quarter past twelve, by which time it is hoped that we will be able to hear a statement from him. The meeting is adjourned until 12.15.

(The meeting adjourned for 15 minutes.)
On resuming:

THE CHAIRMAN: We will now hear a statement from the representative of the World Federation of Trades Unions, and the views of his organization on matters which come within the subject matter of this committee. It was arranged earlier that the procedure should be to invite the representative of the Federation to make a verbal statement, and then if Delegates wished, and the representative was willing, they could put such questions as they desired to put arising out of the statement which he had made, or out of the statements which have been circulated on behalf of the Federation. I now call upon the representative of the Federation to make his statement to the committee.

MR. BURET (W.F.T.U.) (interpretation): The World Federation of Trades Unions has been particularly anxious to be heard by Committee II. Indeed, we consider that Committee II discusses problems which are absolutely essential for the success of this Conference. In particular, the World Federation of Trades Unions groups within itself a series of countries which are now in the period of transition, as it is called. We consider that if the authors of the Charter have included the period of transition in their text it is because in reality it has seemed, even to the most convinced defenders of economic liberalism, that if this policy was applied immediately on a world scale, and if it were applied without any distinction to all countries, the results and consequences of such a policy might be infinitely dangerous. For there still exist a series of countries whose economy has not yet reached a level which can be compared with that of the most economically developed countries. On the other hand there exist countries whose economy has suffered cruelly from the occupation and from war. If these countries were obliged to apply immediately all the clauses, and if these countries were obliged to suppress rapidly all their means of defence, it is certain that one would not be able to foresee either a stabilisation of the balance of payments of these countries or a policy which would allow them to ensure full employment for their labouring classes.
As the difference between the economic possibilities of these countries and those of the more developed countries is still very considerable it is quite certain that these countries would never be able to cover the difference which now separates them from the countries which are economically more developed. That is why we ourselves consider that to the notion of the period of transition we must give a very broad meaning, and that we must allow countries in general which are still in an unfavourable economic position to improve considerably their economic possibilities, and to come closer to the technical and potential stage of the more advanced countries before one can apply to them the common law and say that they can meet the competition of their more favoured rivals with equal chances. Therefore, we consider that we must give to the notion of the period of transition a particularly broad meaning, and we would like to know to what extent the ideas of Committee II meet ours.

That is why we have asked a series of questions, which you have had occasion to read in the reports which have been circulated, and which I now take the liberty of reading to you.

The W.T.U. asks for a definition of the precise conditions in which countries concerned may claim the application in their favour of measures of this kind; for a detailed list of the exemptions from general obligation which may be granted to such countries; and what regulations will govern the relations between countries enjoying the special status referred to in the previous sub-paragraph and other countries not granted such stages.
For a detailed definition of the conditions that will bring the transitional period to an end when a country, granted special status, will no longer be able to claim the above privileges. One point which seems to us particularly important is that of knowing whether in the so-called transitional period the countries aimed at will be able to preserve their integrity and their sovereignty as regards their economic policy. The World Federation of Trade Unions considers, indeed, that those countries themselves are the ones which are particularly capable of judging what measures are appropriate to ensure to their populations a policy of full employment and, on the other hand, a stabilization of effective demands on foreign markets. That is why we have asked a question to which we attach particular importance: we ask that it should be decided as to what body will eventually be responsible for deciding whether a country is in a transitional period - that is the first question - then, secondly, to what extent a country may be granted special privileges; and, thirdly, when it should cease to enjoy such privileges. We also wish to know to what extent the organizations which will arise from the foundation of the I.T.O. will take the place of the States themselves in directing their economic policy. Finally - and this is a point which, for us, is of particular importance - we have to recognize that amongst those countries which are members of the United Nations and whose working class organizations are members of the W.F.T.U., some are represented at this Conference, while others, very important ones, are absent. We would therefore like to know quite clearly what will be the relationships between the countries which are members of the I.T.O. and those which will not be members, and also what methods the Organization intends to adopt in order to attract to itself countries which up to now have not been members; but we would like to say at once that if it is by sanctions and by penalties that one is to expect to be able to reach this end, the path thus chosen seems to us to be infinitely dangerous, because, instead of achieving a normalization of international economic relations, it would lead one finally to the creation of two blocs and to an even greater international tension. That is why we ask Committee II the following
questions: The World Federation of Trade Unions asks what means the International Trade Organization will be able to employ in order to draw within itself members of the United Nations which are not yet members; and in my speech I have tried to indicate the meaning of this question. It seems to me that some provisions contained in the original Charter do not appear to assure to those countries which are economically weaker the possibility of putting into practice a policy of full employment and of catching up with the more advanced countries. That is why the W.F.T.U. asks you this question: What are the commercial considerations provided for in Section F of Article 26, and how do these provisions ensure stability of production and the development of new fields of production in the different countries? Finally, why is the obligation to publish in advance the amount of their foreign purchases imposed solely on those countries that have set up a state monopoly of foreign trade and not on every country? We consider, indeed, that many countries, in order to ensure their economically maximum production and to allow this economy to have a rhythm of development more rapid than that which would have resulted from a policy of economic liberalism, will have to practise a planned economy; and that is why these countries are often called upon to co-ordinate also their policy of exchanges with other countries and their foreign commerce policy. The paragraph which I have just read to you seems to penalize such countries and to deny to them the commercial considerations provided for in Article 26, excluding reciprocal and planned exchanges of goods. In view of the existing distribution of purchasing power between nations, can an agreement to exchange one class of goods for another really be considered discriminatory if it is an open agreement to which third parties can subscribe? Finally, should Article 26 be read as implying that a country setting up a state trading enterprise should be obliged to import or export merchandise at the prices ruling until the home or foreign market is saturated? Indeed, a perusal of this paragraph in the Charter leads us to believe that if this text were rigidly interpreted a country
which had instituted a monopoly in foreign trade would be obliged to import products even if those products were not indispensable to its economy and even if there were other products which would be much more important and useful? It would nevertheless have to import those products until its home market had been saturated. Now, the W.F.T.U. would like to ask this question, the importance of which will not escape your notice: whether States have sufficient power to ensure that the discriminatory policies which have been renounced by them are not in fact applied by private organizations possessing exceptional powers and which would free them, in practice, if not in theory, from all control, and, if not, would methods could be applied? It would seem, indeed, a paradox if one prevented States from applying discriminatory measures, whereas private organizations were able to go over their heads and in full freedom to practise that very policy of discrimination. That is a contradiction which in our opinion is extremely serious; and we would like, on this point, to be satisfied by Committee II. The W.F.T.U. also asks what provision is made for the conclusion of long-term international agreements between countries for the maintenance of full employment? It seems to us, indeed, quite clear that some productions might not be developed if strict agreements did not guarantee to them the conditions of time and stability which are so indispensable. The production of many articles which has just started might be stifled and initiative paralysed if we did not manage to give some guarantees that the production of those articles, which, in the beginning, are in a difficult position, might be able to rely on a definite time-lag in which their development would be assured. The W.F.T.U. also asks whether Article 8 of Chapter IV, Section 4, should be interpreted as implying that even fundamental differences in production potential between countries should not enter into account. It is quite sure that when a difference in quantity is too great between two countries the rights which are granted equally to the one and to the other have an absolutely different consequence in the one from that in the other. It is quite
clear that an agreement signed with a relatively weak country can for the country which signs it have some excellent results, but if the same terms of agreement are transferred automatically to a country whose production potential is much higher the consequences can be quite different for that country and may be extremely dangerous. That is why we wanted the Second Committee to explain to us how it understands and reads this paragraph. We consider it absolutely indispensable that countries which deliberately practise the policy of full employment should be able to dispose of sufficient means so that, if necessary, they could be able to protect themselves from a deflationist depression if such a depression arose in an economically powerful country and in a country which, in our opinion, is perhaps too faithful to the doctrine of economic liberalism. The W.F.T.U. is quite sure that a depression of a deflationary nature, with under-consumption in such a country, might have on world economy extremely grave repercussions and countries which on their side are doing everything they can to ensure full employment for their populations and would be using for that purpose methods of planned economy in particularly difficult circumstances, should not find themselves in such a situation that they would not be able to resist the consequences indefinitely, which would be infinitely more serious, of a deflationary depression for which they are in no way responsible.
That is why we do not consider that these measures and facilities can be granted only to those countries at the last moment. Now they must be able to have in their arsenal sufficient power to be able to resist this grave threat whenever necessary.

Gentlemen, the World Federation of Trade Unions and the tens of millions of workers organised within it follow with great interest the discussions of this Conference, because they all hope that economic relations between nations will be facilitated thereby and because they hope that the conclusions of this Conference will be such that the periodic depressions which for so long have struck world economy will be, if not set aside, at least weakened; but in order to reach this end your deliberations must take into account the whole of the problems and all those often very different situations in which strong and weak nations find themselves; and your decisions and drafted texts should be clear enough to ensure that no interpretation can arise which in the long run might be unfavourable to the ends which we are all following.

THE CHAIRMAN: Thank you. Would any delegate wish to put any question to the representative of the World Federation of Trade Unions? If not, it only remains for me to thank the representative of the Federation for his very valuable statement and to assure him that the members of the Committee will find the study of the very penetrating questions which he has put to us of considerable value in the further stages of their work. Thank you.

The meeting is adjourned.

The meeting rose at 12.50 p.m.