



Monday, 28 October 1957,
 at 11 a. m.

NEW YORK

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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

AGENDA ITEM 12

Report of the Economic and Social Council (chapters II, III, IV and V) (A/3613, A/3661, A/C.2/L.330, A/C.2/L.332, A/C.2/L.333/Rev.1, A/C.2/L.335/Rev.1, A/C.2/L.337) (continued)

DRAFT RESOLUTION ON METHODS OF IMPLEMENTING ECONOMIC AND SOCIAL COUNCIL RESOLUTION 654 A (XXIV) (A/C.2/L.332), AND DRAFT RESOLUTION ON THE EXPANSION OF INTERNATIONAL TRADE (A/C.2/L.335/Rev.1) (continued)

1. Mr. JUDD (United States of America) said that after the cogent criticisms made by the representatives of Japan, Australia, the United Kingdom and Saudi Arabia he could only say that the provisions of the Bulgarian draft resolution (A/C.2/L.332) appeared to be either unnecessary or harmful to harmonious economic co-operation among the Members of the United Nations.

2. The United States had supported Economic and Social Council resolutions 654 A (XXIV) and 654 E (XXIV), and naturally attached importance to their implementation. As the resolutions themselves contained adequate provisions to that end, he did not see the usefulness of the first paragraph of the preamble of the Bulgarian draft resolution. With regard to the second paragraph of the preamble, his delegation certainly wished to expedite in every possible way practical measures to strengthen and develop international economic co-operation, but shared the perplexity of the Australian and United Kingdom delegations as to the meaning of the words "to restore international trade and economic relations to normal". If the words referred to the fact that there was less trade than in 1938 between the Communist countries and the rest of the world it was clear that the principal responsibility for that situation lay with the Soviet bloc, which itself largely determined the level of trade between it and other countries. Moreover, the Soviet Union's economic policy would suggest that it did not really believe in any substantial dependence on trade with countries outside the Soviet bloc. The third paragraph of the preamble recognized the importance of establishing an international trade organization as soon as possible.

That aim was better treated in the seven-Power draft resolution (A/C.2/L.335/Rev.1) which was concerned with the establishment as a permanent international body of the Organization for Trade Co-operation, which had already passed many of the difficult preliminary hurdles.

3. The first operative paragraph approved the Economic and Social Council resolutions 654 A (XXIV) and 654 E (XXIV). The United States had supported both resolutions and a number of others of substantial value and did not see the virtue of singling out the two resolutions mentioned. As the United Kingdom representative had pointed out, the second operative paragraph gave obviously redundant instructions to the Secretary-General. With regard to the final operative paragraph, the eighteen members of the Economic and Social Council obviously had not considered a conference of experts to be necessary or they would have recommended it. Furthermore, the Secretary-General had not indicated that he could not accomplish the task assigned to him without the help of a group of experts. In reply to a question asked by the United States delegation at the 467th meeting, the Bulgarian representative had defined the "countries concerned" as the 82 Members of the Organization. It would be odd if the Second Committee should call for volunteers to help the Secretary-General perform a task that he had undertaken and on which he had requested no help.

4. For all those reasons, the United States delegation would be obliged to vote against the Bulgarian draft resolution, if it was pressed to a vote.

5. His Government considered the two measures recommended in the operative part of the seven-Power draft resolution, in particular the approval of the Agreement on the Organization for Trade Co-operation, to be practical and desirable objectives in the field of international trade, and would therefore support that draft.

6. Mr. WOULBROUN (Belgium) said that the seven-Power draft resolution would reaffirm General Assembly resolution 1027 (XI) recommending the establishment of the Organization for Trade Co-operation, whereas the Bulgarian draft resolution proposed to convene a group of experts with a view to devising new methods of economic co-operation within a much more abstract framework.

7. GATT was a practical body of proved effectiveness: the measures taken by the Contracting Parties to facilitate trade affected more than two-thirds of world trade; and even those countries which were not parties to GATT had benefited from it. The representatives of the eastern European countries appeared, however, to be inclined to blame the West for the inadequate expansion of international trade. The remarkable expansion of world trade in the post-war years had in fact been mainly due to the efforts of the western countries. The

few restrictions in force were justified by the strict necessities of defence and had had little effect on the volume of world trade. In Europe east-west trade also had substantially increased. Belgium, for its part, was anxious to develop its trade with all nations.

8. It should be remembered that in most western nations, trade was governed primarily by the decisions of private enterprise. Except in the case of certain matters of trade and tariff policy, which might be settled and dealt with under bilateral agreements or under GATT, decisions were primarily governed by practical considerations such as price, quality, delivery dates, the availability of currency, etc., although psychological factors also played a part. If the spokesmen of certain eastern countries were less ready to announce the imminent end of what they called the capitalist system and to predict economic crises, the atmosphere would no doubt be more favourable to an improvement in international economic co-operation. A little moderation in that respect would doubtless be more effective than the adoption of vague declarations of principle or the convening of new meetings of experts. Moreover the number of experts in the field of inter-governmental trade policy was not unlimited and experts would probably not be available for additional meetings which would overlap with the meetings of GATT, whose activities not only should not be impeded, but should be encouraged.

9. Mr. SERBAN (Romania) said that the experience of recent years had clearly shown the necessity for improving the existing system of international trade co-operation. Such an improvement had been the object of resolutions 614 A (XXII) and 654 A (XXIV) of the Economic and Social Council. But the problems of international trade co-operation were so complex that more effective methods of study and action were needed. Although the consultations provided for in Council resolution 614 A (XXII) had their uses, they did not always achieve the expected results for the replies of Governments did not take into account all the possible courses of action. A meeting of experts from different countries, a general forum for the exchange of views and for the common quest for constructive solutions, would surely produce better results and would greatly help the Secretary-General to discharge the functions entrusted to him by Council resolution 654 A (XXIV). The convening of a conference of experts would not be an odd procedure, as the United States representative had described it, nor would it constitute a vote of no confidence in the Secretary-General, as the representative of Japan had said; it would merely mean resorting to a procedure which had always proved highly successful. It was due to the meetings of trade experts organized under the auspices of the Economic Commission for Europe (ECE) that trade between Eastern and Western Europe had increased twofold in the space of five years. Such a conference would provide the Secretary-General with useful suggestions concerning possible solutions for the problems of trade between Eastern and Western Europe and of the international payments position or foreign trade of the under-developed countries. The latter problem was particularly serious; the share of the under-developed countries in world exports had fallen from 41.6 per cent in 1950 to 34.5 per cent in 1956. The drop was not due to a decline in the volume of exports, which had in fact increased, but to a slump in the world prices of the commodities exported by those countries. A

striking illustration of unrequited exports was furnished by Brazil's coffee trade: a 60 per cent increase in the volume of coffee exports had produced a mere 10 per cent increase in general income.

10. Commenting on the draft resolution contained in document A/C.2/L.335/Rev.1, he said that some of its provisions were sound, in particular operative paragraph 1. The same could not be said, however, of paragraph 2 under which the General Assembly would urge the Governments to approve the Agreement on the Organization for Trade Co-operation; he pointed out that only 35 of the 82 Member States of the United Nations belonged to the Organization and that discriminatory measures were holding up the accession of the other States. The representative of Japan had referred to the precedent of the Convention on International Civil Aviation to which a Member of the United Nations could not accede except by virtue of an affirmative vote of four-fifths of the States Parties to the Convention. But that particular Convention had been signed during the Second World War, before the United Nations had been established, and concerned only very few countries. That was hardly a precedent which could properly be quoted in connexion with the establishment of an international and really world-wide trade organization. Such an organization might be set up either as an entirely new United Nations body, or on the foundations of the Organization for Trade Co-operation, subject to the necessary changes. Since the seven-Power draft resolution did not propose the establishment of such an organization, the Romanian delegation would not be able to vote for it. If the States Parties to GATT wished to constitute themselves as an organization for trade co-operation having the status of a specialized agency of the United Nations, they should avoid all discrimination and make it a genuinely universal body.

11. Mr. O'NAGHTEN (Cuba) expressed agreement with the views of the representatives of Australia and the United Kingdom concerning the Bulgarian draft resolution. The scope of the text was no broader than that of the seven-Power draft, for the question of consultations on world economic conditions, mentioned in the first paragraph of the preamble, was not referred to in the operative part of the draft resolution, which spoke of international trade co-operation only. A conference of experts, proposed in the last operative paragraph, was unnecessary, he thought, for the Secretary-General was carrying out the task entrusted to him perfectly well and had not indicated that he required any assistance. It was indeed unfortunate, as the representative of France had said, that the Conference on Trade and Employment held in Havana immediately after the Second World War had not attracted the interest of more countries. But he did not see at the present time any justification for convening that conference, any more than he had considered justified the convening of other conferences proposed in the Committee in the past two years, whether of experts or of Governments.

12. The delegation of Cuba did not consider the objections of various representatives to the seven-Power draft resolution well-founded. It had been said that the Members of the United Nations which were not parties to GATT might not be interested in the proposed Organization for Trade Co-operation. The fact that Argentina was one of the sponsors of the seven-Power draft resolution and that Bulgaria, in its own draft

resolution, urged the speedy establishment of an international trade organization refuted that argument, for neither of the two countries was a party to GATT. It had been said, secondly, that GATT was an exclusive club and that consequently the membership of the proposed organization could not be world-wide because of the vote necessary for the admission of a country which was not a Contracting Party to GATT. In reply to that argument, the representative of Japan had cited the example of the International Civil Aviation Organization (ICAO), but one might also refer to the United Nations which since its establishment had admitted 22 new Members, even though its rules governing admission were far stricter than those governing participation in ICAO and GATT.

13. The Cuban delegation considered the seven-Power draft an advance over the resolution (1027 (XI)) adopted at the eleventh session on the same subject. It would therefore vote for the draft. It would not, however, be able to vote for the Bulgarian resolution, which it considered unnecessary and obscurely and ambiguously worded.

14. Mr. SZITA (Hungary) said that inasmuch as many delegations had stressed the importance of Economic and Social Council resolution 654 A (XXIV) during the discussion and as the Committee now had before it two draft resolutions concerning international trade co-operation, it was clear, first, that there was a general desire to expand and improve international trade and, secondly, that there was disagreement concerning the means of achieving that aim.

15. The Hungarian delegation considered that two passages in the Bulgarian draft resolution were of particular interest. One stated that the development of international economic co-operation should take place on the basis of equality and mutual benefit, which was surely one of the most important factors to be taken into consideration in any effort to solve current problems. The other passage he had in mind recommended the convening of a conference of experts; such a conference should, through personal contacts, produce agreement on many problems. It would not interfere with the projects undertaken under Council resolutions and would, on the contrary, assist the Secretary-General who would be able to write his report in the light not only of Government replies but also of the results of the conference of experts. A desire to assist the Secretary-General in his work did not imply any lack of confidence in him, quite the reverse. As the Bulgarian draft resolution proposed an efficient method of work, free of all risk, he would vote for it.

16. While approving of some of the provisions of the seven-Power draft resolution, his delegation regretted that the text gave no more than indirect recognition to the need for an international organization which, within the framework of the United Nations, would endeavour to expand international trade and to reduce existing trade barriers. Nor did his delegation believe that the Organization for Trade Co-operation, as now constituted, was capable of performing that function: the contemplated organization should be universal in nature.

17. He did not wish to argue whether a new organization should be set up or an existing one should be made use of, but he contended that the practical point of view should be subservient to the principle involved,

namely, the character of the organization. Yet it was evident from the statements made by the Japanese representative and from the amendment proposed by the French representative that no change would be made in the Organization, and the Agreement establishing that organization showed that it was not universal and that its members did not enjoy equality of rights. Membership was not dependent on whether a country wished to join because it was interested in developing international trade, but on whether it was a Contracting Party to GATT; any State not a party to the General Agreement on Tariffs and Trade (GATT) which wished to join the Organization could only be admitted at the invitation of two-thirds of the States parties to GATT; even after admission, however, the new member State would not have the right to vote in the Organization. It was therefore essential to create within the framework of the United Nations a truly universal organization which would deal with the manifold problems raised by the expansion of international trade, and not merely with tariffs. He regretted that he was not able at the moment to submit concrete proposals for the creation of such an organization, but he thought that the conference of experts mentioned in the Bulgarian draft resolution might very well consider that question and do some of the preparatory work.

18. Mr. THOMSON (Australia) said he would offer some further comments on the two draft resolutions before the Committee.

19. He had been surprised to hear the representative of Saudi Arabia chide the co-sponsors of the joint draft resolution for the modest scope of their proposal. Of course the co-sponsors had not set out to solve all the problems of international trade at one blow: the wisest and most practical way, if not the most heroic one, was surely to proceed by stages, first seeking to use and improve the existing machinery.

20. Some representatives had questioned the Committee's competence to discuss the Agreement on the Organization for Trade Co-operation. He would like to learn the Secretariat's view on that point. Subject to what the Secretariat might say, he felt that when the Committee was considering the world economic situation, it could not ignore a prospective permanent organization which would be concerned with 80 per cent of international trade, especially as almost half the members of the Committee would be members of OTC, as OTC would be open to other countries on well-known conditions, and as it would probably become a specialized agency of the United Nations.

21. It had also been stated that GATT was an exclusive club and that membership was dependent upon the acceptance of certain obligations which were difficult to fulfil. Those who took that view forgot that it was precisely because the members observed a set of formal rules and were obliged to adopt practical and specific measures at the national level that GATT could play a useful co-ordinating role at the international level. The fact that the candidacy of every new member had to be approved by a two-thirds majority of the contracting parties should not evoke criticism as that provision was consistent with established United Nations practice.

22. The purpose of the conference to be convened under the Bulgarian draft resolution was extremely vague. That conference might lead to the establishment of a new international trade organization but it might

not. Past experiences justified scepticism. In an earlier statement he had described the draft resolution as unsatisfactory in its wording and unnecessary in its substance: the explanations he had since heard concerning the possible terms of reference of the conference had only reinforced his doubts. The path GATT provided towards international co-operation was doubtless a straight and narrow one but it had been safely traveled on and would surely lead towards the expansion of international trade, on the basis of harmonization in the mutual interest.

23. The Australian delegation hoped that the members of the Committee would support the seven-Power draft resolution.

24. Mr. RAJAPATIRANA (Ceylon) said that his delegation was sympathetic towards both the draft resolutions before the Committee; nevertheless it had many reservations to make.

25. Ceylon had taken part in the United Nations Conference on Trade and Employment at Havana in 1946, and in 1947 had been one of the first signatories of GATT: it therefore endorsed the ideas set forth in the seven-Power resolution (A/C.2/L.335/Rev.1) and could accept the first two paragraphs of the preamble without difficulty. But it found the third and fifth paragraphs less satisfactory. The third paragraph spoke of "free" competition, a concept not easy to grasp, particularly in view of the numerous monetary, technical and other problems with which States were confronted. Furthermore, at the suggestion of the Brazilian delegation the sponsors had introduced a reservation based on General Assembly resolution 1027 (XI) and that addition unnecessarily encumbered the text, for the Assembly resolution was in any case expressly referred to in the first paragraph of the preamble and in paragraph 1 of the operative part.

26. The fifth paragraph of the preamble was open to more serious objections. In the 10 years during which GATT had been in force, the number of signatories had only risen from 23 to 35. Besides, more than two years had elapsed since the drafting of the agreement setting up the Organization for Trade Co-operation, and still some of the great Powers had not shown any intention of acceding to it. According to an article in the New York Times of 28 October 1957 the United States Congress refused to ratify that instrument because it would prevent the United States exercising its rights freely to determine its trade policy. It had been said, too, that 15 of the contracting parties to GATT had decided not to grant to Japan the absolute equality of treatment it could claim as a signatory. As long as circumstances such as those existed, his delegation doubted whether the resolution would serve any practical purpose. The primary requirement was a genuine desire on the part of the great Powers to collaborate in giving their support and encouragement either to existing machinery, or if that machinery was inadequate, to an extension of it, to ensure the establishment of a truly international trade organization. The initiative in that field was wholly in the hands of the great Powers and the smaller countries would be glad to associate themselves with any practical venture in that direction. But the very fact that accession to the proposed organization would be subject to the approval of two-thirds of the contracting parties gave cause for doubt that it would be a genuinely universal institution, the only form of organization acceptable as a United Nations specialized agency.

27. Furthermore, the Eastern European Powers had not indicated clearly why they had felt unable as yet to accede to GATT. If their failure to do so was due to some inherent defect in the structure or methods of GATT, it would be desirable to know what was the specific defect and to seek a remedy. So long as that point was not clear, it would be difficult for his delegation to subscribe to the invitation to Member States to take action with a view to approving the Agreement on the Organization for Trade Co-operation at as early a date as possible.

28. Turning to the Bulgarian draft, he said that text was likewise not free of difficulties. In the second paragraph of the preamble there was a very ambiguous phrase: what exactly was meant by "restore international trade and economic relations to normal"? The concept of normality in that context would be most difficult to define. Further, the third paragraph of the preamble would be relevant if the framework of an international trade organization did not exist: but such a framework did exist, and it seemed to him that, with the co-operation of the great Powers, that framework could be made the basis of a truly universal organization. With regard to the operative part of the draft resolution, he readily agreed that questions concerning the development of international economic co-operation and consultation on world economic conditions were the province of experts rather than of the members of the Second Committee. The Economic and Social Council had itself recognized that since, in its resolution 654 E (XXIV), it had authorized the Secretary-General to use experts or groups of experts. Since the Secretary-General would undoubtedly do so, it appeared superfluous to refer to that matter again. He personally was inclined to think that a conference of experts of the countries concerned, as suggested by the Bulgarian delegation, would be more useful after the Secretary-General had submitted his report to the Council. However, the delegation of Ceylon had no final opinion on that point and would be glad to hear the views of the Bulgarian delegation in greater detail. It would in particular like to know whether the Bulgarian proposal was intended to go further than Council resolution 654 E (XXIV); if so, it reserved its right to revert to that question at a later stage in the debate.

29. Mr. ARKADEV (Union of Soviet Socialist Republics) said that the seven-Power draft resolution did not meet the recognized need for an international trade organization for, to be acceptable, such an organization should be universal, and open to all Members of the United Nations. Article 2 of the Agreement on the Organization for Trade Co-operation, however, stipulated that

"the Organization may, by a two-thirds majority of the votes cast, invite governments which are not or which cease to be contracting parties to the General Agreement to participate in such activities of the Organization and on such terms as it shall decide; Provided that in no case shall such participation involve the right to vote or to be counted in determining the fulfilment of the relevant voting requirements when the Organization is exercising any function relating directly to the General Agreement".^{1/}

Such a procedure, which could scarcely be called democratic, was clearly contrary to the spirit which should

^{1/} The Contracting Parties to the General Agreement on Tariffs and Trade, Instruments and Basic Documents, Volume I (revised), Geneva, April 1955, p. 75.

prevail in the United Nations. That article clearly showed that OTC was far from meeting the requirements of universality. After all, even if their trade represented 80 per cent of the total world trade, GATT did not represent an all-embracing trade organization, since the contracting parties to GATT numbered only 35 whereas the United Nations had 82 Members. He believed that all conditions should be eliminated and all obstacles to accession to the new organization should be removed. Otherwise there would be a recurrence of cases like that of Japan which had had to wait more than three years to gain admission as a member of GATT. His country might join an international trade organization, if it were universal in character; the USSR might join it irrespective of whether it was a new creation or based on a thorough reorganization of the GATT system of trade co-operation.

30. Economic and Social Council resolution 654 A (XXIV) contemplated the establishment not of small bodies but of a truly universal system of trade co-operation. The Council had requested the Secretary-General to take account in his report of the replies received in response to the invitation formulated in resolution 614 A (XXII). In that respect the seven-

Power draft resolution seemed to conflict with the Council's wishes.

31. On the other hand the Bulgarian draft resolution (A/C.2/L.332) satisfied all the essential needs in the matter of international co-operation. It pointed to the great importance of setting up a truly universal organization and formulated resolutions which would permit the early implementation of the pertinent resolutions of the Economic and Social Council. Certain misgivings had been expressed as to the convening of a conference of experts. The idea was not new, however, and whenever it had been put into practice it had produced excellent results. There was no intention of voicing a lack of confidence in the Secretary-General. The purpose of the last two paragraphs of the Bulgarian proposal was simply to place the Secretary-General in a position to give effect as faithfully as possible to the wishes of all Member States. The Soviet delegation supported the Bulgarian proposal.

32. In conclusion, he noted with satisfaction that the representatives of the United Kingdom and Belgium had indicated that their two countries were in favour of increased trade with the socialist countries.

The meeting rose at 1 p.m.