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ECONOMIC AND EMPLOYMENT COMMISSION

INTERNATIONAL CONTROLS AND ALLOCATIONS OF COMMODITIES
IN SHORT SUPPLY AND THE PROBLEM OF SURPLUS
COMMODITIES IN PROSPECT

(Prepared by the Secretariat in connection with
Item 20 of the Provisional Agenda of the
Economic and Employment Commission,
Document E/CN.1/1)

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Employment Commission, Document E/CN.1/1)

In its First Report to the Economic and Social Council,
the nuclear Economic and Employment Commission states:

"If the needs of reconstruction and reconversion to a peacetime economy are to be met with speed and equity, the flow of materials that enter into world trade and which are now in short supply cannot be left to the freedom of the market. Moreover, were price to be the sole determinant of destination of materials in short supply, those countries most fortunately situated as to finance and foreign exchange would be the recipients of these materials, to the disadvantage of other nations whose reserves, as a result of war, are inadequate to meet their needs.

"We believe it of greatest importance that control and allocation machinery for the equitable distribution of commodities in short supply be assured until reconstruction and rehabilitation have reached the stage where the free flow of such goods in world trade on the sole basis of world price will not lead to inflationary prices and will not seriously interfere with the return to economic stability on the part of the impoverished nations."

At the moment, there exists a variety of inter-governmental bodies concerned with the international allocation of commodities in short supply.

/I INTERNATIONAL

I. INTERNATIONAL ALLOCATION OF SCARCE FOODS

International allocations of foods in short supply began with the establishment of the Combined Food Board.

A. Combined Food Board

Acting jointly, the President of the United States and the Prime Minister of Great Britain, on 9 June 1942, authorized the creation of the Combined Food Board to obtain a planned and expeditious utilization of the food resources of the United Nations in order to co-ordinate further the prosecution of the war effort. In October 1943, the Canadian Prime Minister accepted membership on behalf of the Government of Canada.

The Board considered, investigated, and formulated plans with regard to any question relating to the supply, production, transportation, disposal, allocation or distribution, in or to any part of the world, of foods, agricultural materials from which foods are derived, and equipment and non-food materials ancillary to the production of such foods and agricultural materials. The execution of these plans was the responsibility of the national agencies of the Governments which were members of the Boards. It worked in collaboration with others of the United Nations toward the best utilization of their food resources; and, in collaboration with the interested nation or nations, formulated plans and recommendations for the development, expansion, and purchase of their food resources so as to obtain the most effective and equitable utilization. This was accomplished largely through the recommendations of the various commodity committees of the Board, which were expanded to include representatives of the major importing and exporting countries.

The Combined Food Board worked closely with other Combined Boards. Thus, the Combined Food Board was a full-fledged partner in the Combined Agricultural and Food Machinery Committee together with the Combined Production and Resources Board, and shared responsibility with the Combined Raw Materials Board on the Combined Fertilizer Committee. Towards the end

of 1943, the Combined Food Board established, a special Joint Food Consumption Levels Committee which made field studies in Britain, Canada and the United States.*

Following VJ-day, it was agreed that, in view of the critical world food supply situation, the Board would continue in existence. However, on 10 December 1945, the three governments announced that the Combined Food Board would probably be dissolved on 30 June 1946, with the exception of a few of the commodity committees which would have to be retained to recommend allocations of products which continued to be in serious short supply.

B. International Emergency Food Council

It soon became clear, however, that the widespread hunger and actual starvation that had developed as a result of the war was a phase of a food emergency that would continue in one form or another for the next three to four years; that acute shortages of grains would continue at least until the 1947 harvest and that shortages of fats and livestock products would last considerably longer.

To meet this serious situation arising out of the severe shortage of the basic food grain, the United Nations General Assembly adopted the following resolution at its First Session in London, February 1946:

"... The General Assembly (1) urges all governments and peoples to take immediate and drastic action, both directly and through the international organizations concerned, to conserve supplies, by securing adequate collection of crops from the producers, by saving food and avoiding waste, and to ensure the maximum production of grain in the coming season. (2) Notes that several of the United Nations have recently announced measures to reserve grain supplies for direct human consumption and to secure increased production."**

Two days later the Director-General of the Food and Agriculture

* Combined Food Board, Food Consumption Levels in the United States, Canada and the United Kingdom, December 1944.

** Resolution adopted on World Shortage of Cereals, Thirty-third plenary meeting, 14 February 1946.

Organization (FAO) notified the President of the United Nations General Assembly that in the light of the food situation forecast for the year 1946 to 1947, FAO was willing "to accept responsibility for mobilizing world resources to meet this crisis." To implement this decision, he proposed to call a conference of individual governments and international organizations able to make contributions towards an international solution.

The Conference was held in Washington from 20 May to 27 May. The Governments represented at the meeting agreed unanimously that without delay the Combined Food Board should be replaced by a much more

representative body, the International Emergency Food Council (IEFC)

which should continue to operate for the duration of the shortage of basic foodstuffs. It was further decided that all practicable steps

should be taken to make the most effective use of all food marketed

during the period from 1946 to 1947, and to maximize production of

urgently needed foods in the following year. To these ends the

conference approved specific recommendations for the guidance of

governments and international organizations in encouraging conservation

and expansion of food supplies, and in formulating policies of food

allocation and distribution.

In establishing the IEFC, the following functions were agreed upon:

"(a) To consider, investigate, inquire into, and formulate plans with regard to, any question in respect of which the member governments have, or may have, a common concern, relating to the supply and distribution in or to any part of the world, of foods, agricultural materials, from which foods are derived, and equipment and non-food material, ancillary, to the production of such foods and agricultural materials, and to make recommendations to the member governments in respect of any such question. In particular, as regards recommendations for the international distribution of food, feedingstuffs, essential seeds, chemicals used in agriculture, and fertilizers in short supply, it shall be the object of the Council to put forward recommendations with respect to which international differences have been reconciled to the maximum degree possible.

"(b) To work in collaboration with others of the United Nations (and with other international bodies) toward the best utilization of their food resources, and, in collaboration with the interested nation or nations, shall formulate plans and recommendations

/for the

for the most effective use of their food resources during the present emergency.

"(c) To continue for the duration of the shortage of basic foodstuffs. Its life shall in the first instance extend until 31 December 1947, subject to consideration before that date as to whether, as a result either of an easing of the supply situation or of United Nations organizational developments in the field of food and agriculture, the work of the Council can be terminated before 31 December 1947.

"(d) To appoint a Secretary-General to be nominated by the FAO and an international secretariat to work under his direction and responsible solely to the Council.

"(e) To establish a Central Committee and such commodity committees as are necessary for the effective conduct of the activities of the Council. In the first instance, the commodity committees shall be those which existed under the Combined Food Board."*

The Central Committee was established to:

"(a) consider issues of principle raised in Commodity Committees;

"(b) assist in case of need in the reconciliation of international differences which may arise in the Commodity Committees;

"(c) co-ordinate the operations of the Commodity Committees and, insofar as possible, secure uniformity of procedure;

"(d) be responsible in the interval between sessions of the Council for carrying out the functions of the Council and in particular transmitting agreed recommendations from the Commodity Committees to the governments concerned; and

"(e) make arrangements for securing the personnel to staff the secretariat on a full-time loan basis, and insofar as possible, from FAO."

The Commodity Committees shall:

"(a) have initial responsibility for preparing recommendations, with respect to which international differences have been reconciled to the maximum degree possible, regarding the procurement, international distribution, and short-term adjustments in the production of the commodities dealt with by them.

* Document IEFC (46) 347, 14 October 1946.

"(b) have under continuing consideration the extent to which recommendations regarding these matters which have been accepted by governments are being effectively carried out by those responsible."

"(c) consider and periodically report to the Central Committee whether in their view the conditions of supply and demand of the commodity in question make it desirable to terminate individual Commodity Committees."

As of 13 January 1947, Committees are in existence for the following commodities:

Beans and Peas Brazil, Canada, Chile, France, Netherlands, United Kingdom, United States

Cereals Australia, Belgium, Brazil, Canada, China, Denmark, France, India, Italy, Netherlands, New Zealand, Norway, Sweden, Switzerland, Union of South Africa, United Kingdom, United States

Cocoa and Spices Australia, Belgium, Brazil, Canada, France, India, Netherlands, New Zealand, Union of South Africa, United Kingdom, United States

Dairy Products Australia, Belgium, Canada, Denmark, France, Netherlands, New Zealand, United Kingdom, United States

Fats, Oils and Feeds Australia, Belgium, Brazil, Canada, China, Denmark, Finland, France, India, Netherlands, Norway, Philippine Republic, Sweden, Switzerland, Union of South Africa, United Kingdom, United States

Fertilizers Australia-New Zealand (joint), Belgium, Canada, Chile, Denmark, France, India, Netherlands, Norway, United Kingdom, United States

Fishery Products Canada, Denmark, France, Newfoundland, Norway, United Kingdom, United States

Fruits and Vegetables Australia, Canada, France, Greece, Netherlands, Turkey, Union of South Africa, United Kingdom, United States

Meat and Meat Products	Australia, Belgium, Canada, Denmark, France, Netherlands, New Zealand, United Kingdom, United States
Rice	Brazil, Canada, China, Cuba, France, India, Netherlands, Republic of the Philippines, Siam, United Kingdom, United States
Seeds	Belgium, Canada, Denmark, France, Italy, Netherlands, New Zealand, United Kingdom, United States
Sugar	Australia, Canada, Cuba, Czechoslovakia, France, Netherlands, United Kingdom, United States
Tea	Australia, Canada, China, India, Netherlands, New Zealand, Union of South Africa, United Kingdom, United States
Vitamins	Canada, United Kingdom, United States

Membership in the Commodity Committees will include the representation which existed under the Combined Food Board. Subsequently, membership will be open to any government which has an important interest in the international trade of the commodity in question, and shall be determined by the Council upon the recommendation of the committee concerned. As will be seen from above, the following countries were represented on 13 January 1947 in the Commodity Committees, in addition to FAO and UNRRA:

Australia	Mexico
Belgium	Netherlands
Brazil	Newfoundland
Canada	New Zealand
Chile	Norway
China	Republic of the Philippines
Cuba	Poland
Czechoslovakia	Portugal
Denmark	Siam
Egypt	Sweden
Finland	Switzerland
France	Turkey
Greece	Union of South Africa
India	United Kingdom
Italy	United States

Membership in the IEFC is open to the representative of any government during such time as it is represented on any Commodity Committee of the

/Council,

Council, as well as to FAO and UNRRA.

"In accepting membership in the Council and its Committees, governments shall make it clear that they accept the responsibilities which membership entails; namely,

"(a) the assurance of full co-operation in the purposes of the Council;

"(b) the prompt provision of full information regarding the availability and utilization of supplies and the relevant conditions governing their disposal and utilization; and

"(c) an undertaking that each member government will put itself in a position to implement all recommendations which it has accepted."

Membership in the Central Committee is determined by the Council and consists of the following nine governments, FAO and UNRRA:

Australia
Brazil
Canada
China
Denmark

France
India
United Kingdom
United States

To assure equity between claimant countries, it was recommended to the IEFC by the Special Meeting on Urgent Food Problems held in Washington on 20 May 1946, that the IEFC should follow certain general principles in recommending particular allocations. It was not felt, however, that a rigid formula for allocation would be appropriate, since it is important that flexibility should be maintained and allocations adjusted in accordance with the varying circumstances of supply and requirements.

It was recommended, however, that the IEFC should be guided inter alia by the following:

(a) the comparative needs of different countries from the nutritional standpoint;

(b) the levels of prewar consumption in the different claimant countries;

(c) the need to maintain emergency subsistence levels of consumption in importing countries;

(d) the extent and duration of undernutrition, whether due to circumstances produced by the war, such as occupation or devastation, the effects of drought, or other causes leading to food shortages;

/(e) the extent

(e) the extent to which the governments of importing countries are effectively carrying out policies to secure maximum food production, and the efficient procurement and utilization of available supplies for consumption by human beings; and

(f) the quantities of food available in each country, which should be reported to the IEFC together with information as to the basis on which the figures have been calculated.

It was especially recommended that:

(a) an attempt should be made to co-ordinate the allocation of supplies of the different foods, and the latter should not be considered individually and in isolation;

(b) while account should be taken of the desirability of maintaining or re-establishing normal trade between different countries, considerations of urgent need should be paramount - it is more important to provide food for starving people than to maintain or re-establish trade relations between different countries;

(c) financial difficulties should not be allowed to hamper arrangements for providing food to countries in the most urgent need;

(d) in allocating fertilizers, food, and machinery, due weight should be given to the return contributions which countries can make to supplies for allocation of foods of which there is a world shortage; and that

(e) account should be taken of the facilities possessed by countries for processing certain foods.

The IEFC goes as far as circumstances will permit in application of these principles.

During the Second Part of the First Session of the General Assembly held at Lake Success, the Economic and Financial Committee invited Dr. Fitzgerald, the Secretary-General of the IEFC to present to the Committee a statement concerning the present work of the Council. Dr. Fitzgerald stated that:

"The success or failure of the Council is dependent solely upon the support, and co-operation of its members and of non-member countries. It has, of course, no independent authority. Its purpose is to, and its process is to set forth for the consideration of the member countries the best, the most equitable, the most reasonable recommendations that its member countries are prepared to accept. The extent to

/which those

which those recommendations are equitable, or are adequate, depends upon the co-operation, and upon the willingness of member countries to give and take, to make adjustments in their own requirements needed or to make adjustments in the supplies that are available, if needed, in order to reach as satisfactory, and as adequate a disposition of a particular issue as possible. But I want to reiterate that the success or the failure of the Council is dependent solely on the support and co-operation of the countries concerned, and it is not dependent on any superior or independent authority which the Council has.

"In general, the International Emergency Food Council attempts to consider only requirements for which sufficient foreign exchange appears to be available. There are, however, some exceptions to this rule, whenever it is quite apparent that all or part of the submitted requirements are vitally necessary. In this event, the Council assumes, for the purpose of its considerations, that financing arrangements will be made. It is fair to say, however, that requirements for which there is no reasonable assurance of ability to pay are discounted somewhat more than would otherwise be the case.

"Individual countries have found more and more occasion, because of their international exchange position, to shop around to develop special arrangements so that they can conserve and maintain, insofar as possible, their remaining supplies of international exchange.

"Consequently, a resolution has been adopted at the last meeting of the IEF Council which provided first, that countries entering into the special arrangements would, upon conclusion of the arrangements, report the pertinent provisions to the Council; and, second, that the Council, through its Commodity Committee would give every consideration to those arrangements, but that the quantities covered by them were subject to review if adjustments were necessary in order to obtain a more equitable distribution of available supplies.

"It would seem to the Council that other international organizations, the Monetary Fund, the International Bank, or this Organization here, are the proper international organizations to consider questions of international exchange. In indicating that the Council feels that it is not within its Terms of Reference, I do not want to imply that the Council is not conscious of the importance of that particular problem."

C. Emergency Economic Committee for Europe

The Emergency Economic Committee for Europe (EECE) was established in London on 28 May 1945, and was given the task of providing:

"a forum for discussion and interchange of information and for the formulation of recommendations with respect to: (a) economic questions, particularly those relating to production, supply and distribution, requiring solution in Europe during the last part of the European war and the transitional period immediately following; and (b) questions of reconstruction policy and longer term development of which account must be taken in considering the matter covered by (a)."

Belgium, Denmark, France, Greece, Luxembourg, the Netherlands, Norway, Turkey, the United Kingdom and the United States are full members of the Committee. The USSR, Czechoslovakia, Poland and Yugoslavia have, from the first, been invited to become members of the Committee and invitations to these countries remain open. Czechoslovakia sends observers to the Main Committee and to most of the Sub-Committees. Yugoslavia for a time sent an observer to the Main Committee.

Although the Committee decided against admitting to membership of the Main Committee any country which was not a member of the United Nations, it agreed to associate non-member countries with the work of the Sub-Committees wherever a more inclusive membership would facilitate their work.

The EECE has not less than six Sub-Committees concerned with the production and allocation of scarce foods.

Food and Agriculture Sub-Committee. The following non-member countries have accepted invitations to participate in the proceedings of this Sub-Committee: Austria, Iceland, Ireland, Italy, Portugal, Sweden, Switzerland. Poland has been invited but has not yet accepted.

The task of the Sub-Committee is:

"To consider questions of food production, collection, processing, transport, distribution and rationing, of common interest in the transitional period to the European countries represented on the Emergency Economic Committee for Europe and to make recommendations to that body regarding the collection and exchange of information and statistics, the procurement and distribution of supplies, and all matters relating thereto."

/In practice,

In practice, its work falls generally into three broad categories:

- (a) Immediate problems of European agriculture in non-UNRRA countries; these were not within the purview of any existing international agency;
- (b) Immediate food problems requiring intensive consideration on intra-European basis. For the most part these were too "internal" in nature to be covered by the IEFC.
- (c) Problems essentially of a longer-range character but which appeared to require some action during the interim period before the FAO could come into effective action.

Seeds Sub-Committee includes the same members and non-members as the Food and Agriculture Sub-Committee. The task of this Sub-Committee is to deal with the supply and advise the IEFC on the allocation of seeds.

Infestation Control Working Party which has the same membership as the above-mentioned Sub-Committees, has recently recommended to the Economic and Social Council and to the FAO that world-wide international action on infestation control should be undertaken with a view to the establishment of an International Convention on Infestation Control.

Working Party on Fish Supplies includes the following non-member countries: Austria, Iceland, Italy, Portugal and Sweden.

At the Emergency Conference on European Cereals Supplies held in London, April 1946, attention was directed to the availability of supplies of fish in Europe and the difficulty which was being experienced in moving these supplies into consumption. A Working Party was accordingly set up to deal with these problems. It has taken action to stimulate negotiations between importing and exporting countries in order to find means of overcoming transport and handling difficulties and to encourage the processing of fish which cannot be handled in fresh or frozen form. This work is being continued into 1947 at the request of the FAO Special Meeting in Washington.

Standing Committee on Starvation Conditions. A further result of the London Conference in April was the formation of a Standing Committee on Starvation Conditions to consider emergency measures for assisting European countries in which the existence of starvation was reported.

//Close

(Close co-operation has been maintained with UNRRA on this problem.) Member countries have been asked to report to the Secretariat any quantities of foodstuffs which could be made available as an emergency measure and which could be sent to any countries in which starvation was said to exist. Offers of food are reported to have been made by a number of countries and recommendations formulated as to the disposition of these supplies.

Fertilizer Working Committee. The task of this Sub-Committee is:

- (a) To take over from the Fertilizer Sub-Committee of the London Food Council the co-ordination of the production and distribution of fertilizers in Europe;
- (b) to report proceedings to the EECE; and
- (c) to maintain liaison with the Food and Agriculture Sub-Committee and with other ancillary bodies of the EECE.

In addition to countries members of the EECE, Eire, Italy, Poland, Portugal, Sweden, Switzerland and the USSR have been invited to join this Committee.

D. Action Taken by the General Assembly

At the Second Part of the First Session, the General Assembly urged the governments and international agencies concerned, to adopt or continue methods designed to overcome the deficit during 1947 in bread-grains, rice, fats and oils, dairy products, meat and sugar and to achieve the equitable allocation and prompt distribution of the available supplies free from political considerations, and recommended:

"1.* Food producing countries to take all practicable steps

(a) to increase the output and collection of foodstuffs to the maximum extent;

(b) to prevent reduction and encourage and increase areas under grain cultivation;

(c) to improve transportation facilities for cereals and other foodstuffs;

(d) to increase exports to countries suffering from a shortage of foodstuffs;

(e) to continue and strengthen international machinery with a view to utilizing exportable food supplies with due consideration for the urgency of the food requirements in the needy countries;

(f) to take measures against any unwarranted increases in the price of grain and other foodstuffs especially such as would be detrimental to the interests of consumers and would mainly favour speculative interests without resulting in any real advantages to the farming population.

"2. Countries which are largely industrial and produce transportation equipment, agricultural implements, machinery spare parts, and supplies for the construction of workshops for manufacturing and repairing the essential categories of such materials, or which produce fertilizers, pesticides, seeds, and animal feeding stuffs, to take all appropriate and practicable measures for expanding production, increasing export, and facilitating transportation of such supplies to countries in urgent need of them, and for facilitating the construction in these countries of small factories and workshops for the manufacture and repair of the most essential agricultural machines, implements and spare parts, for increasing food production.

"3. All countries to carry out as far as practicable appropriate and necessary measures to regulate consumption, including the maintenance of high extraction rates, the dilution of flour, restrictions on usage of bread-grains for beverages and other non-essential purposes, and restrictions on the feeding of bread grains to animals.

"4. Governments and international agencies concerned to continue and expand publication of the fullest possible information on supplies and requirements of foodstuffs and materials mentioned in paragraphs 1 and 2 above and on action taken to carry out the recommendations contained in this resolution in order that future action may be guided by full knowledge of the relevant facts.

"5. That attention continue to be given to the need for measures necessary to enable importing countries to overcome international payment difficulties in order that the above recommendations may be rendered effective in improving the food situation."

II INTERNATIONAL ALLOCATION OF OTHER COMMODITIES IN SHORT SUPPLY

A. Combined Production and Resources Board

The Combined Production and Resources Board (CPRB) was formed in June 1942, as a means of integrating the production programmes of the United States and United Kingdom. Canada was added to the Board in November 1942. Although the USSR and other United Nations were not members, their requirements and needs were taken into account.

The Board had a combined staff which gathered together relevant information in order to formulate policies and proposals for integrating the production plans of each country. Suggestions were then made to the countries concerned and it was up to each country to consider whether such policies were acceptable and how they were to be implemented.

The major obstacle to combined economic action was the lack of information which would permit each country to appraise the combined picture clearly. CPRB therefore regarded the provision of this information as one of its chief functions. Like the other combined boards, CPRB acted as a clearing house for international economic statistics needed in the allocation of resources in the conduct of the war. All allocations, whether of materials or production facilities, were made solely on a supply basis, without reference to financial or commercial considerations. The Board determined where the available supply could be most productively used in the war effort and it was left to the operating agencies concerned to implement its recommendations and to settle the financial and commercial questions involved.

The work of the Board was carried out by fifteen working committees. Of these, seven were combined committees, six working jointly with the Combined Raw Materials Board (CRMB) and one with the Combined Food Board.

/Combined Coal

Combined Coal Committee

It was clear at the beginning of 1943 that the United Nations as a whole faced a serious shortage of coal due principally to the great expansion of industry in the United States, Great Britain and Canada, the need for coal to support military operations, particularly in Europe where coal mines ceased to operate as a result of enemy action, and coal to sustain essential civilian needs in areas liberated from the enemy. The CPRB and CRMB therefore set up a Combined Coal Committee in Washington, composed of representatives of each of the three countries and representatives of all interested agencies, to make a thorough study of coal requirements, of stockpiles and of possible means of increasing output. This study revealed, among other things, that the most promising prospect for increasing coal production quickly and where it was most needed was the development of strip mining in Great Britain. Since this recommendation called for vast quantities of coal mining machinery, the Committee worked out a programme providing for about one-third of this equipment from England, and two-thirds from the United States. Another method by which CPRB attempted to increase output in Britain was by extending the use of machinery in underground mines there. About ten percent of United States output of mining machinery in 1944 was sent abroad to meet this requirement.

Simultaneous with the setting up of the Combined Coal Committee in Washington, a CPRB Coal Committee was established in London consisting of representatives of the United Kingdom, United States and Canada.

The Washington Combined Coal Committee worked in close contact with the London Committee in assembling all pertinent facts and recommending necessary action on all problems of coal supply and requirements. The function of the London Committee is to deal with those aspects of

/the work

the work which are most conveniently handled in London, especially where detailed examination of the facts of United Kingdom production is involved.

Following the termination of the Combined CPRB and CRMB boards on 31 December 1945, the member governments agreed to reconstitute the Combined Coal Committee on an autonomous basis to continue international co-operation in the allocation of coal from North American and British Empire sources during the emergency period of global short supply. Presently working in close association with the London Coal Committee and the European Coal Organization, the Committee has the function of agreeing on co-ordinated supply programmes for the countries which import coal from sources under the jurisdiction of the countries which it represents.

B. European Coal Organization

It was recognized in the summer of 1944 that Europe's coal needs would constitute a major postwar problem, since transportation, electric power and manufacturing depend so largely on coal in Europe. Damage to mines, manpower and equipment shortage, breakdown of transportation - all were factors assuring an acute shortage of fuel. It was obvious, therefore, that inter-governmental action would be needed to insure an equitable distribution of available supplies. Accordingly, during the latter part of 1944, creation of a European Coal Organization was discussed by the United States, Great Britain and the USSR. Complete agreement was not reached since differences developed over the relation of German coal deliveries to reparations. On 18 May 1945, however, a conference was held in London resulting in the formation of a provisional European Coal Organization, with representatives from France, Britain, Belgium, Denmark, Norway, Greece, Luxembourg, the Netherlands, Turkey and /the United States

the United States. Czechoslovakia and Yugoslavia sent observers. The USSR and Poland did not participate. On 4 January 1946, an agreement was signed creating a formal organization.

The Organization is established in London, and consists of a Council to which each member government appoints one representative, with an alternate and technical advisers, a Chairman and a Secretary-General, both appointed by the Council. The purpose of the Organization is to promote the supply and equitable distribution of coal (including coke, manufactured fuel and briquetting pitch) and certain types of coal-mining supplies and equipment, while safeguarding the interests of both producers and consumers. The Organization is to keep itself fully informed on European coal production and distribution and will discuss and distribute all information with regard thereto, and make appropriate recommendations to the governments concerned and other competent authorities. For their part, member governments have undertaken to furnish all relevant information requested by the Organization and to give it their full support. The Organization may establish relations with national and international organizations. Co-operation with the Economic and Social Council is envisaged under the terms of the agreement. The agreement is effective for one year, beginning 1 January 1946, and was extended at the end of 1946.

Poland joined the Organization in March 1946 and Czechoslovakia in July, thereby extending considerably the influence of ECO over the coal fields of Eastern Europe. The ECO now comprises, either as members or associates, the following seventeen countries: Belgium, Czechoslovakia, Denmark, Finland, France, Greece, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

The ECO has no funds as an organization and its staff is provided by the member countries. Aside from the Council and the Secretariat, there are several working committees comprising representatives of interested members. The most important of these working committees is the Allocation

Proposals Committee which has the job of deciding each month where the insufficient supply of obtainable coal should go.

On the basis of monthly estimates of import requirements and coal production in member countries, the needs of members are weighed and balanced against supply estimates, so that equitable distribution may be arranged. At monthly meetings deliveries for the next three months are considered, and adjustments made for past variance between allocations and deliveries. Recommendations for the first month ahead are specific, for the next two, tentative. The principal criteria for allocation are: (1) Actual need; (2) Progress in rehabilitation of industries; (3) indigenous production; (4) Availability of foreign exchange*; and (5) prewar consumption. This last criterion is only to some measure taken into consideration in allocating solid fuel to member countries.

As indicated above, the ECO has no delegated authority: it is a forum in which discussion may be held of the pressing problems of coal production and distribution, and a means by which recommendations concerning methods for alleviating coal shortages can be made to the appropriate authorities. Any action it may take must be by mutual consent; there is no provision for voting. However, the Organization's recommendations have been accepted completely by the United States, United Kingdom, Poland and the Control Authorities for coal from the western zones of Germany. The lack of delegated authority, therefore, has been no handicap. By operating effectively, ECO has acquired to all intents and purposes the necessary allocating authority.

In the opinion of the ECO, the chief obstacles to increased production still to be overcome are the shortage of skilled workers, the low rate of output per manshift as a result of food deficiency, lack of equipment and transport difficulties. In this connection, a Conference was held in Paris in May 1946, under the auspices of the European Coal Organization, at which

* It was decided at a meeting on 9 September 1946, that ECO, in allocating United States Coal, would take into consideration the available dollar funds of the claimant countries.

the following measures to overcome these obstacles were recommended: (1) to ensure adequate food for the miners, particularly underground workers; (2) to provide special incentives to recruit labor; (3) to give special priority to the manufacture and distribution of mining equipment and supplies; and (4) to improve facilities for the transport of coal.

ECO works closely with the Emergency Economic Committee for Europe (particularly in finding mining supplies and mine timber), with the European Central Inland Transport Organization (a Conference was held in London in December 1945 on steps to be taken for the improvement of coal deliveries from the Ruhr to France), with UNRRA (in recommending allocations for countries whose needs are financed by UNRRA) and with the Allied Control Authorities.

An appeal to the United States to retain export-control powers on coal through 1947 was forwarded to Washington by ECO in the middle of December 1946. American fuel constitutes sixty percent of the coal that the ECO divides among the European claimants. The Organization's appeal was made at the behest of France, Italy and the Scandinavian nations, all heavy importers of coal. They emphasized that coal was the key to Europe's recovery and that transportation, industry and food processing in many nations might break down if the present equitable distribution of available fuel ceased. They argued that the organization cannot continue effective work if the powers now vested in the United States Office of the Solid Fuels Administration for War are abandoned.

France and Italy, the heaviest claimants for coal, have emphasized the possibility that, if the American fuel administrator ceases operation there will be a mad scramble by European Governments for available supplies and, as a result, some nations will get more than their share and others far less.

According to present estimates, Europe's import requirements of coal

/amount to

amount to 80,000,000 tons for 1947. The maximum amount of such fuel available for allocation, current estimates show, is 45,000,000 tons.

C. Combined Raw Materials Board

The Combined Raw Materials Board was established by the United States and United Kingdom Governments on 26 January 1942, with the following objectives: (1) to plan the best and speediest development, expansion and use of the raw material resources under the jurisdiction or control of the two Governments, and to make the recommendations necessary to execute such plans in support of the war effort; (2) in collaboration with other of the United Nations, to work toward the best utilization of their raw material resources, and in collaboration with the interested nation or nations, formulate plans and recommendations for the development, expansion, purchase or other effective use of their raw materials:

The Board exercised its authority through recommendations to the departments and agencies of the United States and British Governments already responsible for the supply and distribution of raw materials within their fields. The work of the Board fell into three principal categories: (1) the overall review and regulation of the supply and requirements position of the United Nations for the major critical or essential raw materials; (2) the adjustment of the day-to-day raw materials problems which were referred to the Board by the United Kingdom, the United States or others of the United Nations, or initiated by the Board itself; and (3) the co-ordination of the views of the United States and Great Britain on the raw materials aspects of negotiations with third powers.

In connection with the foregoing activities, it was the chief aim

/of the Board

of the Board to bring over-all supply and requirements into balance by recommendations covering: (a) allocations or other distribution arrangements to ensure a steady flow of supplies to consuming countries in proportion to their essential needs, and in the light of shipping and transportation problems; (b) the maintenance or expansion of production; (c) economy in use, having regard to the different production techniques of the various consuming countries; and (d) stable buying arrangements.

The action taken varied from material to material according to circumstances. However, action was normally based on a general review of the supply and demand situation compiled from data supplied directly or indirectly by the principal producing and consuming countries. Such reviews disclosed the extent to which the position was out of balance and provided the evidence on which the Board, advised by its Operating Committee, arrived at its recommendations. These recommendations were then subject to regular periodic review at which time adjustments were made, where necessary, to meet changed conditions.

The Board itself was not an operating authority. It arrived at recommendations after consultation with the departments concerned with raw materials in the two member Governments and its recommendations were then implemented by these departments. The Board worked in close association with these departments through its Advisory-Operating Committee on which the departments concerned were represented. In general, it was the function of the Committee (1) to examine, in the light of operating experience, the Board's plans and proposals before they were formally approved and promulgated, and (2) to serve as a forum for dealing with the numerous day-to-day problems which arose when over-all plans were to be put into operation.

/In making

In making its general allocations, the Board provided for the essential needs of other consuming countries; e.g. the USSR, the British Dominions and Colonies, Central and South America, the European neutrals, Iceland, etc. This provision was made either by direct allocation, or by apportioning between the United States and United Kingdom the responsibility for meeting such needs out of resources allocated by the Board. In some cases this responsibility was undertaken by other countries, thus Canada was allocated responsibility for certain supplies of sisal manufactures to the West Indies, and Australia for the supply of tin to New Zealand. The needs of the USSR were dealt with on the basis of a Protocol Agreement between the United States, United Kingdom, Canada and USSR and supplementary allocations were made by the Board from time to time to meet any additional Russian requests. In addition to general allocations of this kind, the Board dealt with a number of special requirements for the more critical materials, and allocations in such cases were made on an ad hoc basis to the various claimant countries, the United States, United Kingdom, USSR, Canada, Australia, Belgian Congo, etc.

Inasmuch as their fields of operation were intimately related, the CRMB and CPERB worked in close co-operation. Accordingly, it was the task of the CRMB to furnish the CPERB with comprehensive information concerning those materials which were actually or potentially in such short supply as to endanger any part of the production programmes. To this end, the Boards jointly set up various committees to review the supply and requirements position of certain critical materials such as rubber; steel, copper, aluminium and magnesium, and leather and hides.

Canada's interests were represented on the Board by the United States member; the co-ordination of the British Empire (other than Canadian) requirements were handled through the Commonwealth Supply Council in London.

/Toward the end of

Toward the end of 1943, the Board, in common with the other Combined Boards widened its functions to include responsibility for making such allocations as might be necessary to meet the raw materials requirements, both civilian and military, in liberated territories.

In view of the completion of the major planning tasks in the raw materials field in support of the war effort, it was agreed to terminate the CRMB on 31 December 1945. It was announced, however, that a few commodities remain "which call for continued attention inasmuch as they are in global short supply in relation to the needs in consuming countries. For cotton textiles, tin, rubber, and hides and leather, it is proposed that the joint committees should be continued during such period as the shortage of supply in relation to needs renders necessary. It is also proposed that in all cases, representation on the committees should be on the appropriate international basis having regard to their independent status following the dissolution of the Boards. In most cases committee membership already includes countries having a major interest in the problems involved."

Combined Hides, Skin and Leather Committee

In accordance with the above-quoted statement, the Combined Hides, Skins and Leather Committee began its operations as an autonomous organization immediately after the termination of the CRMB on 31 December 1945. It was the duty of this Committee to review the international supply and requirements position of the major types of hides, skins, and leather that were in short supply and to recommend to the appropriate national agencies an equitable international distribution of available materials. However, it proved impossible to maintain this

/control

control since the major supplying nations insisted on selling at prices which countries in urgent need could ill afford on account of their scarce foreign exchange balances and buying countries refused to increase prices. Recognizing its inability to deal with the situation, the Committee ceased to operate.

Combined Rubber Committee

The Combined Rubber Committee was formed following the termination of the CRMB at the end of 1945, to continue the allocation of the world supply of crude rubber as long as necessary. The United States, United Kingdom, Netherlands, France, Belgium and Canada are active members. According to a statement issued by the Committee on 10 October 1946, the member governments have agreed that, in view of the increased quantities of natural rubber becoming available, international allocation control need not continue beyond the end of this year. The Combined Rubber Committee was, therefore, terminated on 31 December 1946.

Combined Tin Committee

Pursuant to the above-mentioned proposal, the member governments of the Combined Tin Committee agreed to reconstitute the Committee on an autonomous basis, after the termination of the CRMB. The Committee, composed of members from the Governments of the United States, United Kingdom, France, Belgium and the Netherlands, has its headquarters in Washington. It is the function of the Committee to review the international supply and requirements position of tin metal and to agree on allocations to member and non-member countries.

Combined Textile Committee

The Combined Textile Committee was initially organized as an advisory committee of the CPRB. After the termination of this Board on 31 December 1945, the Combined Textile Committee continued its operations

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as an autonomous organization. It is the function of the Committee to review the international supply and requirements position of cotton textiles and to recommend to appropriate national agencies the minimum quantities of cotton broad woven goods and cotton yarn to be made available for export to the importing countries, including liberated territories, having regard to minimum requirements for meeting essential civilian needs.

D. Emergency Economic Committee for Europe

In addition to the afore-mentioned Sub-Committees on food and materials essential to maintain food production, EECE has a number of sub-committees on other essential commodities:

Enemy Exports Sub-Committee. During the autumn of 1945, the operations of the EECE with respect to German trade were thoroughly discussed and, as a result, roughly parallel communications were received from the British, French and American Zones indicating that they thought the Committee might function in two general fields; first, by making recommendations on the allocation of a limited list of goods in short supply, and second by making recommendations as to the allocation of items not on this list, either at the request of the Control Authorities, or the member countries, or by certifying the essentiality of particular requests when satisfied of their importance.

The British Government invited the EECE to open an office in the British Zone of Germany. The office was opened officially on 21 June 1946. Its primary function is to be the point of contact with the representatives of the Zone Commander on all questions relating to the export of goods on the EECE "reserved list" of items for which the Committee would recommend allocations and on special cases referred to the office by the Control Authorities or by the EECE.

/Concurrently

Concurrently with the discussions on the establishment of an office in Germany, the Sub-Committee was performing the functions envisaged in the communications received from the British Zone with whom a "reserved list" had been agreed. Neither the American Zone nor the French Zone has as yet agreed upon a similar list with the Committee, but recommendations to the American Zone have been made in particular instances. Allocations have been recommended for salt from the British and American Zones; zinc, lead and antimony from the British Zone; hops from the American Zone; and potash (through the Fertilizer Working Committee) from the British and American Zones. These recommendations have, in the main, been followed by the Control Authorities. In addition, the assistance of the Committee has been sought in a number of special cases both by the Control Authorities and by the member countries.

In addition to its functions with respect to export questions, the Enemy Exports Sub-Committee has considered a number of related problems, in particular the question of payments and responsibilities with respect to import questions. Early in 1946, a number of countries instructed their representatives on the Enemy Exports Sub-Committee to draw to the attention of the Sub-Committee the importance which they attached to being consulted, either directly or through the EECE, in the preparation of the German import programmes in order that they might be able to offer delivery of essential products to enable them, in so far as possible, to meet the needs of their national economies and to approach equilibrium in their balance of payments with Germany.

Public Utilities Panel. When SHAEF was dissolved, it became apparent that the work which had been done by the Public Utilities Section of that headquarters could usefully be continued. A Working Party, on which technical

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representatives of interested EEC countries and of the Public Utilities Section of the Combined Resources Allocations Board were present, accordingly recommended to the EEC that much of the work done by the SHAEF Public Utilities Section should be continued under the auspices of the EEC by a Public Utilities Panel consisting of representatives of the Control Authorities in Germany and Austria and interested EEC countries.

Close relationship with the ECO was clearly essential, and the ECO has therefore regularly sent a representative to Panel meetings, and the Panel has appointed representatives to attend meetings of the Power Working Party of ECO.

After an initial meeting in London, the Panel has met successively in Brussels, Berlin, Liege, Paris, London, Maastricht and Vienna.

The Panel, though concerned mainly with electrical power, also deals with gas and is assisting in the construction of a pipe-line for the supply of gas from Germany to the Netherlands.

Monthly statistics showing the position in each country with regard to the production, consumption, export and import of both electricity and gas are issued and discussed at each meeting.

The Panel took advantage of the decision of the EEC permitting the association of non-member countries with its Working Committees to invite Swiss participation, and a Swiss Representative has attended since the tenth meeting in May 1946.

The Panel has recently set up a small Working Party to examine the existing international organizations dealing with electric power and to determine what practical work in planning and co-ordinating power developments could usefully be performed by a permanent organization. It seems probable that the need for the Panel will continue for some time. So long as the Allied Powers remain in control of Germany and Austria, the

/Panel

Panel provides them with a centre for technical consultation with neighbouring countries; As a matter of long-term European organization, it may be desirable that the Panel, or some similar body arising out of it, should become a part of any permanent machinery which may be established for economic co-operation among the European countries.

Timber Sub-Committee. In October 1945, the ~~EECE~~ agreed to establish a Timber Sub-Committee to carry on the work of a Timber Working Group which, under the aegis of the United Kingdom Ministry of Supply, had provided a means of consultation between European governments on timber requirements and supplies. The Timber Sub-Committee has the following terms of reference:

"1. To consider the 1945 supply and requirements position for soft wood, hard wood, pitprops, plywood and railway sleepers and to recommend adjustments in programmes as the occasion demands, with a view to assuring that the urgent requirements of the EECE countries are met in as expeditious and orderly a way as possible;

"2. To exchange general information concerning purchasing arrangements;

"3. To exchange information on other problems arising in connection with the supply and consumption of timber;

"4. In conjunction with the Enemy Exports Sub-Committee, to make recommendations on the distribution of exports of German timber."

The first task faced by the Sub-Committee was to review on the one hand the total timber requirements of the member countries, and on the other hand to establish as accurately as possible the availabilities of timber to meet these requirements,

The Sub-Committee found that the 1946 soft wood position was disturbing because requirements were approximately double-anticipated supplies.

In view of the critical supply situation for soft wood in particular, the Sub-Committee agreed on a policy of limited purchases by the member countries from other sources of supply to assure that the inadequate supplies would be equitably distributed. The Committee also reviewed the hardwood, plywood, railway sleepers, telegraph poles and pitprops position.

The supply requirements position of pitprops has been kept under constant review by the ECO in conjunction with the Sub-Committee.

It became quickly apparent that supplies of pitprops and soft wood from Scandinavia for 1946 were closely linked with the coal problem and it was therefore decided to convene a Timber-Coal Working Party under the joint aegis of the ECEC and the ECO to investigate this question and representatives of Sweden and Finland were invited to attend the meeting of the Working Party.

A joint meeting attended by delegates from Sweden and Finland was held in London on 5 March 1946 and a resolution was formulated relating the coal allocations to be made to Sweden and Finland to commitments by these countries to make available stated quantities of timber. This recommendation was accepted by the ECO and both Sweden and Finland agreed to the timber export figures proposed.

The Sub-Committee is at present considering the question of exports of timber from Germany.

E. The Preparatory Committee of the International Conference on Trade and Employment

At its recent meeting in London, Committee III of the Preparatory Committee dealt with the general commercial policy. There was wide agreement for the view that during the post-war transitional period, it should be permissible to use quantitative restrictions and exchange control for the equitable distribution of products in short supply, for the maintenance of war-time price control by countries undergoing

/shortages

shortages as a result of the war, for the orderly liquidation of temporary surpluses of government ordered stocks and of industries which were set up owing to the exigencies of the war, but which it would be uneconomic to maintain in normal times. All these exceptions would be limited to a post-war transition period which might, however, be subject to some extension in particular cases.

There was wide agreement for an exception to the general rule against export restrictions or prohibitions so as to enable countries to take temporary action to relieve shortages of foodstuffs and other essential products.

Committee IV of the Preparatory Committee dealt with the problem of inter-governmental commodity arrangements.

The Committee considered the scope of the provisions which should be included in an International Trade Charter regarding special commodity problems and agreed that these provisions should apply solely to primary commodities such as mineral or agricultural products, including foodstuffs and forestry products.

There was general agreement that the objectives of inter-governmental commodity arrangements should be to alleviate the difficulties which arise when adjustments in production or consumption cannot be effected as rapidly as the circumstances require, by the free play of market forces alone. Such arrangements may aim to facilitate economic adjustments designed to promote the expansion of consumption or a shift of resources and manpower out of over-expanded industries into new and productive occupations. They may also aim to moderate pronounced fluctuations in prices; to provide for increased production to meet serious shortages; and to maintain and develop the natural resources of the world and protect them from unnecessary exhaustion.

The Committee agreed that inter-governmental commodity arrangements should not be made until there has been full study and discussion of the
/problems

problems relating to the commodity in question. It was therefore agreed that, where a commodity is experiencing, or is expected to experience, special difficulties, a Study Group may be formed to examine the problem. If the Study Group concludes that an inter-governmental commodity arrangement would be desirable, it should be followed by a Commodity Conference to discuss the appropriate measures to meet the special difficulties.

The Study Group from the outset should consist of countries substantially interested in the production, consumption or trade of the commodity concerned. After this stage, there would be increasing participation by interested countries. Finally, when the commodity arrangement has been agreed upon, it should be open to participation by any Member. It should also be open to such non-Members as may be invited by the Organization, since, if the arrangement is to be both comprehensive and effective, it must, of necessity, include substantially interested non-Member countries.

There was agreement on certain general principles which should apply to all inter-governmental commodity arrangements in order that they may conform with the purposes of the Organization. In particular, it was agreed that there should be adequate representation of importing and consuming countries as well as of exporting and producing countries.

The Committee stressed that commodity arrangements should provide, where practicable, for measures designed to expand world consumption.

It was agreed that all inter-governmental commodity arrangements, proposed or concluded, should be given full publicity, so that all interested parties may be fully informed of the measures taken and of the progress achieved in the correction of the underlying difficulties.

A distinction was drawn between those inter-governmental commodity arrangements which involve the regulation of export and import, production or prices, and those which do not. The former are referred

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to as regulatory agreements. It was felt that regulatory agreements should be used only in certain defined circumstances arising out of difficulties which would not be corrected by normal market forces alone, when a burdensome surplus exists or is expected to develop, causing hardship to producers, many of whom are small producers; or where special difficulties have given rise, or are expected to give rise, to widespread unemployment. It was agreed that in exceptional circumstances regulatory agreements might also be applied to manufactured goods. The Committee intended that one effect of this provision should be to permit the inclusion of appropriate synthetic products within the scope of particular commodity agreements.

The Committee discussed whether regulatory agreements might be used to deal with shortages. It was generally agreed that such agreements which were made in those cases in which a burdensome surplus was "expected to develop" could appropriately take into account shortage difficulties. The history of a number of important commodities at present in short supply shows that there may be recurring periods of burdensome surplus and shortage which need to be considered. It was further agreed that arrangements relating exclusively to the distribution of commodities in short supply should be exempted from the provisions governing commodity arrangements, and therefore could be concluded outside their framework.

The Committee agreed that in addition to the general principles applicable to all inter-governmental commodity arrangements, regulatory agreements should be subject to certain additional principles. The Committee wished to ensure that restrictive measures in regulatory agreements are used only when essential to prevent or remedy serious dislocation or hardship, that they do not lead to unreasonable prices, and that they do not afford permanent shelter to the less effective and economic sources of supply.

It was agreed that regulatory agreements should be subject to periodic

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review. They should be effective for not more than five years subject to renewal. Where the operation of an agreement has failed to conform to the agreed principles it should be revised accordingly. If this is not possible, it should be terminated.

In order to bring existing arrangements as far as possible into line with the general provisions, the Committee agreed that Members should inform the Organization about their participation in commodity arrangements existing at the time the Charter comes into force, and that they should accept the decision of the Organization on whether their continued participation is consistent with their obligations under the Charter.

The Committee finally submitted to the Preparatory Committee a resolution in which it was recommended that insofar as inter-governmental consultation or action in respect of particular commodities is necessary, before the International Trade Organization is established, the governments concerned should adopt as a guide the Draft Chapter on inter-governmental commodity arrangements adopted by the Committee.

In Plenary Session the Preparatory Committee recommended that an Interim Commodity Committee should be set up to keep up with the developments in these fields pending the establishment of the International Trade Organization.

In view of the insistence of certain less developed countries that more positive approach be made in the Charter to provide for accelerating their industrial development, a joint session of Committee 1 on Employment and Economic Activity and of Committee 2 on General Commercial Policy agreed to establish a joint Committee on Industrial Development.

In all countries there will be a demand for capital equipment and materials of all kinds arising from the programmes of production and development. The Joint Committee was therefore of the opinion that members of the Organization should recognize that they have an obligation

/to other

to other members to refrain from placing unreasonable obstacles in the way of supply of capital goods and materials of all kinds needed by other members. Where special shortages occur in the supplying country, particularly in the early post-war transitional period, such countries would be free to apply restrictions in the manner provided for in the draft Charter.

In relation to the international supply of facilities for economic development, including capital goods, materials and equipment, the Joint Committee was of the opinion that all countries should recognize that they have mutual responsibilities. Countries in a position to supply these facilities should impose no unreasonable impediment that would prevent other countries from obtaining access to such facilities; countries receiving such facilities should treat the supplying countries in conformity with the provisions of any of their relevant international obligations and should take no unreasonable action injurious to the interest of the supplying country.
