

A CHARTER FOR WORLD TRADE



THE MACMILLAN COMPANY
NEW YORK · BOSTON · CHICAGO
DALLAS · ATLANTA · SAN FRANCISCO

MACMILLAN AND CO., LIMITED
LONDON · BOMBAY · CALCUTTA
MADRAS · MELBOURNE

THE MACMILLAN COMPANY
OF CANADA, LIMITED
TORONTO

A CHARTER
FOR WORLD TRADE

CLAIR WILCOX

Copyright, 1949, by The Macmillan Company

All rights reserved—no part of this book may be reproduced in any form without permission in writing from the publisher, except by a reviewer who wishes to quote brief passages in connection with a review written for inclusion in magazine or newspaper.

First Printing

Printed in the United States of America

First Printing

Printed in the United States of America

*TO THE VETERANS OF
LONDON GENEVA HAVANA*

FOREWORD

THE signing of the *Final Act* of the United Nations Conference on Trade and Employment at Havana, Cuba, on March 24, 1948, marked the culmination of an enterprise that had its beginnings in the declarations of policy that were made in the *Atlantic Charter* in 1941 and in Article VII of the lend-lease agreements in 1942. It marked the completion of three years of careful planning and almost two years of continuous negotiations. It marked the embodiment in a charter for world trade, produced by more than fifty nations, of the principles contained in the proposals that were published by the United States in 1945.

The Havana conference covered a wider range of problems than had ever been tackled by any other economic conference in the history of international affairs. It dealt with a subject matter that presented, in its combination of diversity, complexity, and political sensitivity, a problem so difficult that it might well have defied the negotiators' art. Yet it produced and wrote into a single document, not one agreement, but six—one on trade policy, one on cartels, one on commodity agreements, one on employment, one on economic development and international investment, and the constitution of a new United Nations agency in the field of international trade. The successful completion of any one of these agreements would have been a notable achievement. The completion of all six of them, in the troubled times in which we live, is little short of a miracle.

When the United States made its first proposals for a charter setting up an international trade organization, it faced a world in which the normal patterns of trade had been disrupted by the war. Production was cut down; business was dislocated; and the economic and political future was filled with uncertainty. In such a situation, we might have decided to postpone our proposals until

things got back to normal. But we knew, if we did so, that nations might set up a whole series of new restrictions that the world might never succeed in breaking down. So we went ahead. And the results already achieved have demonstrated that we chose the wiser course.

As the United States approached the problem of postwar trade policy, there were three courses it might have pursued. First, it might have concluded that the rest of the world was so committed to restrictionism that the attempt to clear the channels of trade was hopeless. It might have washed its hands of the whole job and tried to live to itself. But we must remember that we are part of an interdependent world. Prosperity and peace for us depend upon prosperity and peace for everybody else. Economic isolation is clearly impossible.

Second, the United States might have sought to lay down a simple set of idealistic principles to govern world trade and tried to persuade the other nations of the world to accept it. But trade is a complicated business and the times in which we live are full of difficulty. Other nations have their own problems and their own policies. No simple set of rules could be accepted. No rigid set of rules would work. If we are to be realistic, we must be practical. And if we are to be practical, we must deal with details. If we are to have a world trade charter, it must be a charter that will fit the facts.

Third, and last, we could have sought a realistic document, one that would meet the practical problems of the real world. Such a charter would set forth fundamental principles on which all nations could agree. But it would also make such detailed provisions as might be required to meet emergencies and to fit diverse national economies into a common pattern of world trade. This is the only kind of charter that would actually work. It is the only kind that would provide us with a real alternative to anarchy and chaos in the commerce of the world. It is the kind of a charter that the United States has always sought. And it is the kind that was completed at Havana in 1948.

This *Charter* sets up an International Trade Organization to support and strengthen the International Bank for Reconstruction and Development and the International Monetary Fund. But it does more than that. For the first time in history, it asks all nations to

commit themselves, in a single document, to a policy of non-discrimination in their customs charges and requirements and in their internal taxation and regulation. It asks them to reduce tariffs and other barriers to trade and it lays down detailed rules to insure that the freedom that is gained by reducing visible tariffs shall not be lost by building up invisible tariffs. It also lays down rules under which import and export quotas (the most serious of all forms of trade restriction) can be limited, controlled, and eventually abandoned.

The *Charter* makes the first attempt in history to apply uniform principles of fair dealing to the international trade of private enterprise and public enterprise. It makes the first attempt, through intergovernmental action, to eliminate the abuses arising from the operations of international monopolies and cartels. It spells out, for the first time, a code of principles to control the formation and operation of intergovernmental commodity agreements. It marks the first recognition, in an international instrument, of the interdependence of national programs for the stabilization of production and international programs for the liberation of trade. It recognizes the interdependence of international private investment and the economic development of backward areas and emphasizes the importance of such development to the well-being of all the peoples of the world.

The *Charter* is long and complicated and difficult. It is concerned with such technical matters as unconditional-most-favored nation treatment, disequilibrium in the balance of payments, non-discrimination in the administration of quantitative restrictions, and procedures to be followed in multilateral selective negotiations on tariffs and preferences. But we must not lose sight, in all of its detail, of the deeper problems that underlie these mysteries. For the questions with which the *Charter* is really concerned are whether there is to be economic peace or economic war, whether nations are to be drawn together or torn apart, whether men are to have work or to be idle, whether their families are to eat or go hungry, whether their children are to face the future with confidence or with fear.

Behind the *Charter's* many chapters and its scores of articles, there lies a simple truth. The world will be a better place to live in if nations, instead of taking unilateral action, without regard to the

interests of others, will adopt and follow common principles and enter into consultation when interests come into conflict. And this, throughout the entire range of trade relationships, is what the signatories of the *Charter* will agree to do. Each will surrender some part of its freedom to take action that might prove harmful to others and each will thus gain the assurance that others will not take action harmful to it. This may well prove to be the greatest step in history toward order and justice in economic relations among the members of the world community. The International Trade Organization will deal with questions that nations have always held to be of the greatest importance. It will seek solutions for problems that have all too often been a source of irritation and ill will. It will serve as a center where the peoples of the world, with their diversity of economic interests, can meet on common ground. The ITO will complete the structure of international economic cooperation. It will add strength to the United Nations.

The program that is embodied in the *Charter* provides a necessary sequel to the program for European recovery on which the United States is now embarked. The two are interdependent; neither can be wholly successful without the other; both are parts of a common policy. If we were not to ease the burdens of Europe in this emergency, our chances of reducing the barriers to trade would not be good. But the reverse of this statement is just as true. If we do not reduce the barriers to world trade and thus make possible a great expansion in the production, distribution, and consumption of goods throughout the world, there is little hope that the aid we are extending under the recovery program will accomplish its purpose or serve as anything more than a mere stopgap. The trade program must take over where the recovery program leaves off.

The negotiation of the trade charter is now an accomplished fact. But we were told, again and again, while it was under way, that it could not be done. The program was too ambitious. It would involve too many commitments. Circumstances and systems were too diverse. Fair dealing, in international trade, was old-fashioned and impractical. The disorganization caused by the war was too great. The problems of reconstruction were too pressing. Nations were too much preoccupied with immediate difficulties. They would not look to

the future. The future, in any case, was too uncertain. It could not be done. It has been done!

The *Charter* will soon be under consideration by national legislatures throughout the world. It should come before the Congress of the United States in 1949. In the meantime, I hope that the American people will study it, criticize it, analyze it, and finally decide that they will give it their support.

To the process of popular understanding, public discussion, and eventual decision, this book should make a substantial contribution. The author served as Director of the Office of International Trade Policy in the Department of State during much of the time when the American proposals were being prepared. He represented the United States as chairman of its delegation at the conference in London and as vice chairman of its delegations at Geneva and Havana. He is well equipped to outline the history of the *Charter*, describe its provisions, and discuss its significance.

W. L. CLAYTON

CONTENTS

Foreword, by W. L. CLAYTON	vii
Introduction	xv
<i>PART I</i> THE BACKGROUND OF THE HAVANA CHARTER	
Chapter 1 Thirty Years of Troubled Trade	3
2 American Trade Policy	14
3 Obstacles to Agreement	25
4 Negotiating the Charter	37
<i>PART II</i> ANALYSIS OF THE HAVANA CHARTER	
Chapter 5 The Charter in a Nutshell	53
6 Tariffs and Preferences ✓	63
7 Invisible Tariffs ✓	74
8 Quantitative Restrictions ✓	81
9 State Trading ✓	94
10 Restrictive Business Practices ✓	103
11 Intergovernmental Commodity Agreements ✓	114
12 Subsidies ✓	126
13 Industrial Stabilization and World Trade	131
14 Economic Development and International Investment	140
15 The International Trade Organization	153
16 Relations with Non-members	161

PART III APPRAISAL OF THE HAVANA CHARTER

Chapter 17	Commitments and Escapes	171
18	Some Criticisms Considered	186
19	Some Open Questions	201
20	What We Have at Stake	210

APPENDIX

A Reader's Guide to the Havana Charter	223
The Havana Charter for the International Trade Organization	227
Index	329