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SECOND SESSION OF THE PREPARATORY COMMITTEE ON TRADE AND EMPLOYMENT

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The Plenary meetings yesterday and to-day mark the end of the first of the two tasks we set ourselves when the work of this session of the Preparatory Committee began in April. The world may not realise from the long and complex document, necessarily technical in its terms, how much work and thought, negotiation and argument have entered into it. What I think the world will realise is the difference which the principles and provisions of this Charter, if adopted by the nations, can make to world trade and to the standard of living of all peoples as compared with the system which we knew in the nineteen thirties, with its strangling restrictions, its measures of mounting economic nationalism, and all that lurked behind these barriers in the form of uneconomic vested interests.

The work of the past four months has proceeded against the background of a darkening storm in international economic affairs; hence the criticism that our work here has been in vain and remote from the realities of the present situation. I want for our part to repudiate that suggestion. But none of us would claim that our work here can ever yield its true value unless all nations recognise that the hopes we all hold of establishing a new order in international trade are dependent for their fulfilment on the solution of the world problems which are now pressing upon us.

Even at the beginning of our work we knew that the nations were, as a result of the intensity of the war and its immediate aftermath, stepping into a world where the conditions of trade were completely unknown. Perhaps no one has more cause to realise this than the United Kingdom. From being, for over a century, a nation, part of whose essential needs were met from the returns on investments made in countries in many parts of the world, we have now sacrificed the

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greater part of those investments in financing the war. We are now dependent on the proceeds of our exports. From the low level to which we reduced them as part of our contribution to the common struggle for victory, we have to build up to a figure nearly twice that of pre-war.

In the nineteen-thirties the nations of the world were suddenly faced with the disappearance of the old gold standard system, which with all its faults (and they were many) had been the almost automatically accepted basis of international trade for a century. In its place there grew up a whole series of hastily improvised self-frustrating devices on a national basis. It is a matter for satisfaction in any case that the nations represented here have agreed to recommend the establishment of an organisation which quite apart from its detailed rules provides for regular and free and frank consultation on international trade problems.

But the achievement of the Preparatory Committee has, I think, been more positive than this. The Draft Charter it has drawn up shows what is necessary to achieve a multilateral trading system based on the freest possible flow of world trade; this we believe is in the long run as much in our own national interests as in those of the world as a whole.

As we of the Preparatory Committee part with the Draft Charter and as our thoughts turn to the task before the World Conference at Havana, we must realise the responsibility which will rest on those countries which have been represented here to explain and defend the various provisions of the draft we have elaborated. We are glad that so many other countries have sent observers to Geneva to follow our proceedings with such close attention. None the less it is the members of the Preparatory Committee who will be most familiar with the reasons underlying the solutions we have suggested to the most difficult problems we have faced and the pitfalls involved in other solutions.

I do not feel it is necessary to elaborate on the various Chapters and Articles of the Charter, but I should like to make a brief comment on one or two of the more important Chapters.

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Once again I should like to state our welcome and support for the provisions on full employment. My Government is fully committed to internal measures for the maintenance of employment and is very well aware of the danger of sudden slumps in other parts of the world; and we accordingly welcome the obligation to maintain the highest possible volume of employment and income within each national economy and the measures which are being taken on an international scale for securing the highest possible level of employment. The full success of this project will go far beyond the scope of I.T.O. and will need the support of the Economic and Social Council and all the international economic organisations. That is why we trust that the World Conference will take up this wider aspect of the problem as contemplated in the Draft Resolution prepared at the London session of this Committee.

My second point is development. As a country which bears a great responsibility for large and important Colonial territories - for whose further development we have indeed in the past few weeks announced revolutionary new proposals - we very naturally welcome anything that can be done in this field just as we sympathise with the aspirations of those of our friends who have made the position of the so-called under-developed countries a key point in the discussions here. But we do feel that it is possible to over-stress the distinction between developed and under-developed countries. No country's economy is static: each must undergo a constant process of re-adaptation. A country which is at present mainly or wholly agricultural will undoubtedly benefit both its own economy and the world economy by sound measures to increase its own productivity. This does not mean that that development should necessarily involve too wide a range of new manufacturing industries. We must not overlook the very real advances which can be made in the field of primary production, which can be achieved by irrigation, power and transport projects and by the use of modern methods and scientific discoveries in the technique of primary production. In this field the services of the more advanced agricultural nations and the resources and knowledge at the disposal of the Food and Agriculture Organisation of the United Nations stand ready to assist in the achievement of

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revolutionary advances in productivity.

But if these are to be achieved (and this brings me to my third point), and are to result in the raising of the standard of living of the peoples of the world and not in so-called surpluses and economic depression, then measures such as were never adequately developed before 1939 must be used. In this connection we feel that the Chapter dealing with primary commodities, drawing as it does on the work of the F.A.O. Preparatory Commission and the experience gained from the working of Commodity Study Groups in recent months, represents a real advance on the draft prepared in London last Autumn.

My fourth point relates to the balance of payments. It is not a matter for surprise, with the growing difficulties which many of the nations represented here are experiencing in their balance of payments, that the Preparatory Committee has been much concerned to ensure that the Articles dealing with the balance of payments and with non-discrimination should be realistically drawn. It is of the utmost importance that we should not bring discredit on the fundamental principles of non-discriminatory multilateral trading by attempting to move too far and too fast in this difficult period when many of the conditions essential for such a system have not yet been realised. We have ourselves only this week had to record a serious setback to our hopes of proceeding rapidly in the direction of convertibility and non-discriminatory trade and, as you will have seen from the exchange of letters between the Chancellor of the Exchequer and the Secretary of the United States Treasury, we have had, as an emergency measure, to call a temporary halt. Whatever the lessons to be drawn from the events of the last few weeks in our own case and that of other countries, we are certainly all in agreement that the period of recovery from the war has been far longer than most of us had hoped. As a result of serious devastation in the war areas, of crop failures and other difficulties since the war, the productive power of the nations outside the Western Hemisphere has not been restored to the extent necessary to put the world in true balance once again. Owing to these factors and to the high prices of essential imports international payments are badly out of equilibrium. Unless they can

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be put into balance once again much of our work here will be lost.

It is not for us here in Geneva to say how equilibrium can be restored. This is a matter which is receiving urgent and concentrated attention in many places at this time - by the Economic Commission for Europe, the Economic Commission for Asia and the Far East, and on the agricultural side by F.A.O.; pre-eminently it is the subject of the important conference now being held in Paris. And it is a problem which must dominate the thought of all the governments represented here and many more besides. It is a problem of restoring our national production in each country, of building up again our war shattered economies, of replacing our war damaged or obsolete capital goods and for many of us in repairing the years of neglect prior to the war in our basic industries.

It is a problem of securing greater economic co-operation between countries with complementary economies, of taking action in Europe and in Asia and in many parts of the world for the mutual development of production. In our own case we shall find it necessary and desirable to have even closer economic co-operation with other countries of the Commonwealth.

I feel that the Governments represented at the Preparatory Committee must face this position frankly, not only that our work itself will be in vain unless all the governments and agencies concerned can solve this overriding problem, but also that the methods we may have to use in the intervening months and years may appear to be opposed to the principles and methods of the Draft Charter. Many of us will certainly have to assist our position by agreements with particular countries, some of whom are represented here. Such agreements if realised will not only bring additional materials and food into our national economies for the purpose of maintaining and increasing production, they will make it possible for each one of us to make such sacrifices as will enable us to part with much needed goods to other countries in order that goods even more urgently needed may come to us in return. But in these methods, designed to meet the short term and urgent problems which are pressing upon us, the guiding principle must be that we do not establish permanently artificial channels

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of trade which would in the long run defeat the principles and methods we have been discussing here. To do so would reduce the total volume of world trade in goods and services and bring about a lower standard of living for the people of the world than we hope to achieve as a result of full economic co-operation on a multilateral basis. Only on such a basis can we secure for all our peoples the full benefits available from the advances of science and from the skill and resources of all nations of the world.