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PROSPECT FOR I.T.O.

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With the publication on August 23 of the Draft Charter for an International Trade Organization, the stage is set for the final scene in what is already the longest economic conference in history. Looking back over some 600 meetings in London, Lake Success and Geneva during the past 10 months, recollecting the literally thousands of documents issued, the Executive Secretary might well be expected to take a broad view of the prospects for an International Trade Organization.

The thirty thousand-word Draft Charter will provide the programme for the World Conference on Trade and Employment due to open at Havana on November 21, to be attended possibly by as many as 75 states and territories which are vitally concerned in commerce and trade. But the draft Charter is an intensely complicated and highly technical document which cannot be analysed in a few words, except as to its main intention of unreezing the regular flow of goods between countries from the barriers that in the past have held it back and so prevented countries from achieving high and stable levels of employment and production at over-rising standards of living.

Further, the draft Charter, argued and debated in minute detail by the leading commercial experts of seventeen countries,

is written largely for experts in their own special language. It could, for this reason amongst others, be all too easily termed impractical or idealistic or out of touch with realities. This is precisely why I would like to analyse some of the many questions I have been asked during the past six months by non-specialists, by the intelligent man in the street who wants to keep abreast of international developments.

First let me answer the charge that the intention to create a new international organization with ambitions that are little short of revolutionary in the field of trade and commerce, is simply beyond practical possibility. It is significant, say these critics, that on the very day when the draft Charter is published, Britain declares sterling to be no longer convertible. How can there be serious discussion of proposals to reduce trade barriers when the tide is obviously running east in the opposite direction?

In answering this one may bear in mind that the experts of the 17 countries which have evolved the draft Charter are by no means starry-eyed, impractical theorists; they are the working experts of government departments, familiar with all the day-to-day problems of world trade. The ITO draft Charter sets down general principles on which it is hoped that all trading nations will agree.

These are the rules of fair trading which, if applied in normal world conditions, would bring a general increase in the prosperity of nations and would help them to keep their people fully employed in producing what is needed for consumption both at home and abroad. But, as everyone knows, normal world conditions do not prevail today. The ITO draft Charter makes specific exceptions for these abnormal conditions, such as

balance of payments difficulties. The exceptions are mostly temporary, they will only apply to a limited extent, and, most important of all, it is intended that they shall be under international control through the ITO. Admittedly, the ITO sets its sails for "fair weather". But it can face up to economic blizzards and still remain true to its principles.

The second question arises from the first. The draft Charter, it is said, contains too many so-called "escape" clauses; that is, provisions which allow a country to adopt or to maintain, in certain circumstances, the kind of barriers to trade - import quotas or tariff preferences for instance - which the ITO is pledged to remove or reduce. It is true that several of the 17 countries which have constructed the draft Charter feel that there are too many escapes in the Charter. But I think they realise that to send to a World Conference a draft Charter with its head in the clouds of unreality might well be the quickest way to kill the ideal trading conditions for which all countries are striving.

The draft Charter therefore is designed to attract every country, whether it is mainly agricultural like New Zealand or mainly industrial like Czechoslovakia, whether it is comparatively "undeveloped" like India, or whether it has been highly developed for many years, like the United Kingdom, to become members of ITO. There would be no point in creating ITO if many countries felt they could not join because the rules of ITO would damage their present state of prosperity or hinder their legitimate development. Hence the need for "escape clauses" to deal with the realities of today. They do not whittle down the broader perspective of ITO looking forward to stable world trading and monetary conditions which are essential if the ITO principles of "multilateral" trading (or the interchange of goods between many countries on fair, equal terms) are to be put into practice.

A third question concerns money. It is all very well, says the critic, to set up an international agency to lay down rules for fair trading for its members. But, as recent events show only too clearly, it is not the goods that matter so much as the right kind of currency with which to buy them. Is it worth creating a new international agency whose success, in reducing barriers to trade can be completely frustrated if purchasing power is not fairly distributed amongst the nations interchanging their goods?

This is not an easy question to answer. The lack in many countries today of dollars to buy the products of the dollar countries, and the inability of these countries to provide these products for themselves is pointing to a reaction rather than an increase in world trade. ITO principles cannot be put into practice while these abnormal post-war conditions persist. ITO itself would not have powers to help to rectify these conditions, although it will, as intended, be very closely associated with the International Monetary Fund whenever balance-of-payments questions arise. There is, however, a good case for believing that once more normal conditions in both finance and trade were restored, the ITO could have a powerful influence in warding off the trading restrictions which have in the past led to depression and slumps.

The last question raises an issue of paramount importance. What will happen if a number of important trading countries decide not to join the ITO? This question has been constantly before the 17-nation committee which has unanimously approved the draft ITO Charter. A precise answer will not be possible until the views of the great concourse of nations attending the Havana Conference become evident. This, however, can be said: the 17 countries at Geneva represent practically every kind of national commerce and trade. The particular interests

of each one have had a substantial effect on the drafting of every one of the hundred articles. It is, therefore, reasonable to hope that the countries represented at Havana will find, when they examine the draft Charter, that their interest have not been excluded.

But something more positive may be needed : a realization that, with the declining success of international negotiations in the sphere of politics, the need for success in the sphere of trade and commerce becomes not only the more urgent, but possibly the only alternative to a long period of chaos amongst the nations of the world.

There must also be a realization that the great fundamental objectives of ITO - full production and full employment and the free flow of goods between all countries - provide the only means to enable nations to be sure of their individual well-being. And nations assured of the wellbeing of their peoples are peaceful nations. If the countries which meet at Havana give the ITO their support, and insist that ITO shall work efficiently, the results can bring great and hitherto unknown benefits, not only amongst governments and in high places, but as affecting the daily struggle for existence of millions. It may require a stretch of imagination to associate the ITO draft Charter with the dinner plate of an Indian roadmender; but in fact the relationship is by no means in the realm of fantasy.
