

Canada

at

International Trade Conferences

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FOLLOWING the establishment of the United Nations Organization, a very considerable number of agencies have been set up in various fields of common interest—agencies to deal with emergency relief, currencies, international investment, food and agriculture, labour, and civil aviation. In all of these, Canada has played an important part since their inception. The International Labour Organization is the senior agency, having been founded originally in 1919 as an autonomous associate of the League of Nations. At the other end of the scale, and as yet unborn, is the International Trade Organization.

Three important Conferences have been held in the endeavour to formulate a Charter for an International Trade Organization. In October and November, 1946, there was convened in London the first session of the Preparatory Committee established by the United Nations Economic and Social Council to prepare a draft convention and to make plans for a world Conference on Trade and Employment. A second session of the Preparatory Committee met in Geneva from April to the end of October, 1947. Finally, delegates from 59 countries attended a Trade and Employment Conference from November, 1947, to March, 1948, in Havana.

I

PRIOR to these government sessions there was another Conference which might be regarded as the forerunner of the London, Geneva, and Havana meetings. In November, 1944, the *International Business Conference* assembled in Rye, New York. This Conference was arranged and held under the auspices of four private American organizations—the National Association of Manufacturers, the Chamber of Commerce of the United States, the American Section of the International Chamber of Commerce, and the National Foreign Trade Council, Inc.

About 500 representatives of business organizations from 52 allied and neutral countries in six continents attended the Conference. No representatives of Governments were present—only business men who had met together to discuss economic problems affecting the business interests of the countries represented, and to help establish a better basis for world relations and world trade. The Canadian delegation consisted of representatives of the Canadian Manufacturers' Association and of the Canadian Chamber of Commerce.

The work of the Conference was divided

into eight parts, with separate sections or committees for the following subjects:

1. Commercial Policy of Nations;
2. Encouragement and Protection of Investments;
3. Private Enterprise;
4. Raw Materials and Foodstuffs;
5. Cartels;
6. Currency Relations among Nations;
7. Industrialization in New Areas;
8. Transportation and Communications.

After several days of study and discussion on each subject by representatives from the various countries, reports and recommendations from the eight sections were presented to plenary sessions of the Conference. It was recommended that the delegates discuss the reports with their own Governments on their return home. The Canadian delegation in due course made a full report to the Canadian Government on the proceedings and the decisions of the Conference.

While it is not the intention in this article to discuss in detail the findings and recommendations of all the sections, the report of the section on Commercial Policy is of particular interest as it points out the desirability of international action in dealing with trade matters and other related questions. The Report on Commercial Policy contained the following recommendation:

In order to achieve the objective of freer trade and to remove so far as possible the obstacles in our path, this section recommends:

1. The concluding of a Multilateral Trade Convention to which all countries might adhere committing the contracting parties to:
 - (a) the progressive lowering of tariff barriers;
 - (b) the elimination of quotas and import embargoes;
 - (c) the adoption in letter and spirit of the most-favoured-nation clause in unconditional and unlimited form as a general principle to be incorporated in all commercial treaties;
 - (d) the abandonment of discriminatory trade practices, particularly those leading to closed trading systems;

- (e) the abandonment of national sales and production monopolies, which, in effect, discriminate against foreign producers.
2. The concluding of Treaties of Commerce for periods of at least ten years to enable persons engaged in international trade to make long-term provision for production and marketing.
3. An International Economic Charter between Governments formulated, if possible, by the Multilateral Trade Convention which would incorporate the provisions of these treaties with additional provisions covering certain other aspects of commercial policy. Such an instrument would assure an equality of trading opportunity and freedom from discrimination.
4. An international Economic Organization, which would be entrusted with the task of supervising and co-ordinating national commercial policies from an international angle in accordance with the provisions of the Economic Charter.
5. That Governments, particularly of creditor countries, should strive to find ways and means of increasing imports into their countries so as to enable debtor countries to meet their obligations.
6. That Governments should seize the opportunity presented at the conclusion of hostilities by the world-wide demand for goods and services to establish through a liberal trade policy conditions which lay the foundations of a broad and expanding world trade, and by taking action in advance of an expected upward movement in the trade cycle to mitigate many of the difficulties of the transition period from war to peace.

II

IN December, 1945, the Government of the United States published and transmitted to other Governments for their consideration a document entitled *Proposals for Expansion of World Trade and Employment*. It is interesting to note that the proposals in the main were in accord with the recommendations of the International Business Conference. The recommendations of that Conference may very well be regarded as the basis on which these Proposals were formulated. The document setting forth the Proposals was published as an appendix to the Anglo-American Financial Agreement. The United Kingdom Government stated it was in full agreement on all the important points in the Proposals and accepted

them as a basis for international discussion.

These Proposals put forward the suggestion that an International Trade Organization of the United Nations should be established, the members of which would undertake to conduct their international commercial policies and relations in accordance with agreed principles to be set forth in the articles of the Organization. The Proposals contained suggestions for rules to govern trade barriers, restrictive trade practices, inter-governmental commodity arrangements, and the international aspects of domestic employment policies and outlined a suggested structure for the International Trade Organization itself.

The purposes of the proposed International Trade Organization were set out as follows:

1. To promote international commercial cooperation by establishing machinery for consultation and collaboration among member governments regarding the solution of problems in the field of international commercial policies and relations.
2. To enable members to avoid recourse to measures destructive of world commerce by providing, on a reciprocal and mutually advantageous basis, expanding opportunities for their trade and economic development.
3. To facilitate access by all members, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.
4. In general, to promote national and international action for the expansion of the production, exchange and consumption of goods, for the reduction of tariffs and other trade barriers, and for the elimination of all forms of discriminatory treatment in international commerce; thus contributing to an expanding world economy, to the establishment and maintenance in all countries of high levels of employment and real income, and to the creation of economic conditions conducive to the maintenance of world peace.

One of the underlying reasons for the proposal to set up an International Trade Organization was the fact that during the last ten or fifteen years there has been a steady trend away from the use of tariffs as a trade equalizer. More restrictive measures have been applied, such as import quotas or outright import prohibitions. These have come to be known as quantitative restrictions and are far

more effective in controlling imports into a country than tariffs have ever been. One purpose of the proposed Charter, embodying a code of rules for the conduct of international trade, was to outlaw these restrictive trade practices and return to the use of tariffs only to control imports.

The Economic and Social Council of the United Nations, which was established about this time, decided at its first meeting on 18 February, 1946, to take over the program. The Council adopted a resolution calling for an International Conference on Trade and Employment to consider the creation of an International Trade Organization. At the same time, it established a Preparatory Committee of 18 nations to prepare a draft convention for such an organization and to make the necessary arrangements for convening a full Conference on Trade and Employment at which a Charter would be finalized for submission to and adoption by Governments. It was decided that this Preparatory Committee should meet in London in the fall of 1946.

In preparation for the meeting, the United States Government in September, 1946, published an elaboration of its Proposals in the form of a suggested Charter for an International Trade Organization. The proposed Charter, it was stated, was put forward as a basis for discussion by the Preparatory Committee and not as a document expressing the fixed or final views of the United States Government. Copies of the suggested Charter were transmitted to the other Governments named by the Economic and Social Council to serve on the Preparatory Committee.

At the same time the United States Government, in pursuance of the powers set forth in the Reciprocal Trade Agreements Act, issued an invitation to the 17 other countries, members of the Preparatory Committee, to join her in negotiations towards a multilateral trade agreement which would have as its chief aim the general reduction of tariff barriers.

IN the light of these proposals what was Canada doing? Following the International Business Conference at Rye, the Canadian Manufacturers' Association had

urged the Canadian Government to set up a committee to which industry could make representations on trade and tariff matters.

With the publication on 6 December, 1945, of a joint statement by the United States and the United Kingdom that the two Governments had undertaken to begin preliminary negotiations at an early date between themselves and with other countries for the purposes of developing concrete arrangements to carry out the proposals put forward by the United States, industry renewed its request to the Canadian Government. On 2 January, 1946, an Interdepartmental Trade and Tariff Committee, composed of high ranking civil servants under the Chairmanship of Mr. Hector B. MacKinnon, Chairman of the Tariff Board, was set up to examine representations from Canadian industry in regard to trade and tariff matters.

In announcing the formation of the Committee, the Minister of Finance stated that in view of the Proposals put forward by the United States for a Conference directed to the reduction of trade barriers and the expansion of trade, and the acceptance by Canada of an invitation to participate, it was desirable that representations to the Committee by Canadian industries and groups should take account of these Proposals and should not have as their objective the raising of tariff rates, and further that particular attention should be given to the possibilities of enlarging the access of Canadian industry to external markets.

By the setting up of this Interdepartmental Committee industry was afforded an opportunity to express its views on international trade matters, including tariffs, before action was taken. A great deal of valuable information was received by the Committee from industry which proved useful to the Canadian delegation in connection with trade negotiations with other countries.

In April, 1946, the Hon. James MacKinnon, Canada's Minister of Trade and Commerce, addressed a meeting of manufacturers on the subject, "A Charter for World Trade". In the course of his address, Mr. MacKinnon made two

definite pronouncements. Firstly, while the elimination of restrictive trade practices provided a key to world prosperity, it was recognized that complete free trade is not a practical policy. Secondly, the Canadian Government had not made, nor would make, any commitments on British Empire Preferential Tariffs prior to the International Trade Conference. Mr. MacKinnon said, "There is no intention to abolish Imperial Preferences in exchange for meagre or nominal reductions in the tariff of the United States and other countries."

III

THE *First Session of the Preparatory Committee* was held in London in October and November, 1946. The Committee based its discussions on the suggested charter for an International Trade Organization of the United Nations, as issued by the State Department of the United States Government in September of the same year.

The object of the draft charter was the expansion of world trade and the removal of trade barriers. It provided in very precise terms for the method by which these barriers might be abolished. It provided the machinery for securing tariff reductions by multilateral negotiations, recommended the reduction or elimination of preferential trade treatment, and the abolition of exchange control and quantitative restrictions on imports. In addition, the draft charter contained provisions for the abolition of harmful restrictive practices if carried on by commercial firms. The draft charter also dealt with full employment and provided that each member should take action to achieve and maintain full employment within its own jurisdiction through measures appropriate to its political and economic institutions.

From the very first it was apparent that delegations from many countries did not feel that their economic position was strong enough to relax or give up immediately all their present restrictions on trade. Some had balance-of-payment dif-

ficulties, but the most sustained objections came from "less developed countries" which wanted to use tariffs and quantitative restrictions as a means of developing their industries and as part of general economic plans for raising the standard of living.

One of the expressed purposes for establishing an International Trade Organization, as set forth in the Proposals, was to encourage and assist the industrial and general economic development of member countries, particularly of those still in the early stages of industrial development. However, the suggested charter did not contain any provision to this end, and, on the insistence of certain less developed countries, of which Australia was one, that a more positive approach be made in the Charter to provide for accelerating their industrial development, a Committee on Industrial Development was set up. This Committee recommended the inclusion of a new chapter in the Charter which would specify the ways in which industrial development could be promoted, and the assistance which could be given by governments in promoting the establishment, development or reconstruction of particular industries, including the right to impose restrictions on imports, subject to the prior approval of the International Trade Organization.

The report of the Committee on Commercial Policy was a most exhaustive document. It recommended that members of the International Trade Organization should grant to each other general unconditional most-favoured-nation treatment in respect of all customs matters, coupled with a proviso that preferences of long standing, such as the British Empire preferences and those existing between the United States and Cuba, should be excepted from the application of the most-favoured-nation clause. The report deals at length with the question of tariff reductions, elimination of preferential treatment, and the elimination of quantitative restrictions. The Committee also made recommendations in the matter of subsidies, state trading and other related matters.

The general result of the work of this

Committee on Commercial Policy was to prepare a code of trade behavior which left more freedom to the participating countries to trade as they saw fit than was provided for in the first draft Charter.

The Preparatory Committee also adopted a resolution regarding the negotiation of a Multilateral Trade Agreement embodying tariff concessions. The Committee recommended to the governments concerned that these negotiations should be held under the sponsorship of the Preparatory Committee in connection with, and as a part of, the Second Session of the Committee to be held at Geneva commencing 8 April, 1947, and that these negotiations should be conducted in accordance with the procedures recommended in a Memorandum on Procedure and approved by the Preparatory Committee.

An important feature of this first session was the bringing into the open by the Canadian delegation of the "invisible trade barriers" employed so effectively by the United States in restricting imports. While other countries openly employed quantitative restrictions and exchange controls, the United States had the administrative procedures of its Tariff Act which discouraged exporters from shipping goods into that market. As one authority on customs administration has well said, "Let me write the Administrative Act and I care not who writes the rates of duty." More than three years have passed but the administrative practices and procedures complained of are still operating efficiently to hamper and restrict the flow of goods into the United States.

The delegation from Canada to the First Session of the Preparatory Committee consisted of a small group of Civil Servants headed by Hector B. McKinnon, Chairman of the Tariff Board, and including David Sim, Deputy Minister of National Revenue, Hubert R. Kemp, Director, Commercial Relations and Foreign Tariffs Division, Department of Trade and Commerce, John J. Deutsch, Director, International Economic Relations Division, Department of Finance, and other high ranking Civil Servants. It was a small but very capable group.

The delegations from Canada to the

various Trade Conferences have all been of modest size, but, though fewer in number to the delegations from the United Kingdom, the United States and certain European countries, they were the equal of any in ability. At times our delegations were embarrassed when other representatives referred to them as coming from one of "The Big Three"—the United States, the United Kingdom and Canada.

A Drafting Committee was set up by the Preparatory Committee to redraft the Charter in accordance with the decisions reached at the London Conference. The Committee was instructed to prepare alternative drafts to cover points where agreement had not been reached.

The Drafting Committee met at Lake Success, New York, in January and February, 1947, and completed a redraft of the Charter for submission to the Second Session of the Preparatory Committee which was to be held in Geneva in April, 1947.

Prior to the Geneva meeting, delegates from countries of the British Commonwealth and Empire attended a special meeting in London in March, 1947. This conference was regarded as a necessary preliminary to the Geneva Conference, particularly in view of the demands made by the United States for the reduction or elimination of Empire preferences. It also afforded an opportunity for an exchange of views in respect of some of the provisions of the Charter as drafted at New York.

While the London Conference was in session, Sir Stafford Cripps, then President of the Board of Trade, made the following statement in the British House of Commons:

"We should be ready, after consultation with the Commonwealth countries concerned, which is now proceeding in London, to consider reductions in margins of preference, both those which we grant and those we enjoy, in return for concessions which we regard as of comparable value made by other negotiating countries. We are under no one-sided obligation to eliminate or reduce Imperial Preference. Our obligation is to consider reduction

of preference in return for reductions of tariff within the scope of our negotiations."

IV

THE *Second Session of the United Nations Preparatory Committee on Trade and Employment* opened in Geneva on 10 April, 1947, with 23 nations in attendance. The meetings continued until 30 October, 1947.

The work of the Geneva Conference was two-fold in character. First, discussion centered on the proposed Charter for an International Trade Organization. The draft Charter, prepared for submission to a world Conference on Trade and Employment, was signed late in August by the members of the Preparatory Committee. It was a compromise document with many reservations by individual countries and with some problems, such as the method of voting of the Organization in conference, still unresolved.

The second part of the work at Geneva was the negotiating of tariff reductions or concessions between the countries represented at Geneva. These negotiations were difficult and protracted, and they were not completed until 30 October, 1947, when 23 countries signed a General Agreement on Tariffs and Trade, with 20 schedules listing the tariff concessions which each country extends to the others.

As already stated, the Preparatory Committee, at its meeting in London, recommended that the Committee sponsor tariff and preference negotiations among the members at the Geneva meeting. At the same time the Committee drew up a Memorandum on Procedure for the conduct of negotiations.

The Memorandum states that tariff negotiations shall be on a "reciprocal" and "mutually advantageous" basis. This means that no country would be expected to grant concessions unilaterally without action by others, or to grant concessions to others which are not adequately counter-balanced by concessions in return.

The negotiations are to be conducted on a selective product-by-product basis which will afford an adequate opportunity for taking into account the circumstances

surrounding each product on which a concession may be considered. If it is decided to grant a concession on a product the concession may take the form either of a binding of the existing tariff rates against increase, or of a reduction in the rates of duty.

The same considerations and procedures were to apply in the case of negotiations relating to tariff preferences. In accordance with the principles set forth in the draft Charter, any preferences remaining after the negotiations may not be increased.

All negotiated reductions in most-favoured-nation import tariffs shall operate automatically to reduce or eliminate margins of preference. The binding or consolidation of low tariffs, or of tariff-free treatment, shall in principle be recognized as a concession equivalent in value to the substantial reduction of high tariffs or the elimination of tariff preferences.

The Memorandum states that the negotiations should proceed on the basis of the "principal supplier". This means that each country would be expected to consider the granting of tariff or preference concessions only on products of which the other members of the Preparatory Committee — individually or taken as a whole—are, or are likely to be, principal suppliers.

The tariff negotiations at Geneva in the summer of 1947 were conducted in accordance with the rules of procedure set forth in the Memorandum, of which the foregoing are some of the most important.

As formulated at Geneva, the General Agreement on Tariffs and Trade (usually referred to as GATT) is a substantive international agreement between the 23 countries which signed the Final Act at Geneva on 30 October, 1947. The Agreement is to remain in force until 1 January, 1951, and to continue in effect thereafter subject to the right of withdrawal by any Contracting Party on six months' notice.

If the Havana Charter for an International Trade Organization should fail of ratification, the countries who are parties to GATT could carry on under

this Trade Agreement. For both the Draft Charter and GATT were prepared by the same Conference, which carried forward into the General Agreement those articles in the Draft Charter—in particular, the provisions on Commercial Policy in Chapter IV—which were deemed essential to a sound and stable trade agreement and to safeguarding the value of the tariff concessions negotiated at Geneva.

Reference to the texts of the General Agreement reveals that the provisions of the various articles formulate principles and rules fundamental to the application and enforcement of what is, in effect, an international code.

Appended to the Agreement is a Protocol of Provisional Application under which the signatories to the Final Act undertake to apply provisionally:

1. Parts I and III of the General Agreement on Tariffs and Trade, and
2. Part II of the Agreement, to the fullest extent not inconsistent with existing legislation.

Incorporated in the General Agreement are rules and procedures for dealing with such questions as most-favoured-nation tariff treatment, preferences, customs duties and other charges, national treatment on internal taxation, freedom of transit, anti-dumping and countervailing duties, valuation for customs purposes, formalities connected with importation and exportation, marks of origin, quantitative restrictions, exchange arrangements, subsidies, state trading enterprises, frontier traffic, customs unions, and others.

There has been criticism in many quarters of the escape clauses scattered throughout the Geneva Draft Charter and the General Agreement, but without these the degree of success actually attained would not have been possible. Furthermore, the United States, by an order of the Executive, may not negotiate a trade agreement with any country unless there is incorporated in the agreement an escape clause, permitting them to withdraw concessions granted by way of tariff reductions if these concessions should result in such increased imports as to cause or

threaten to cause serious injury to domestic producers.

Already some ten applications have been made to the United States Tariff Commission to restore former rates on certain specific products. In six cases, the Commission found that the protested increase in imports either was not attributable to the tariff cuts or had done no real damage. The other four applications, including one regarding spring clothespins, were still pending when this article was being prepared.

There are other types of escape clauses in the Agreement such as the right of a member country to make use of import restrictions to safeguard its external financial position and balance of payments, and their use for purposes of economic development. In effect, Canada took advantage of the balance-of-payments provision in November, 1947, when Emergency Import Control measures were adopted, prohibiting importation of certain classes of goods and placing others on a quota basis.

THE United States delegation were restricted as to what they could offer in the way of tariff concessions. In the first place, the only items in their tariff open to negotiation were those included in a statutory list prepared and published by the United States Government. Unless an item was on this list, the negotiators were precluded from even discussing it. Secondly, under the Reciprocal Trade Agreements Act, the Executive is only permitted to reduce existing tariff rates by 50 per cent, and no item on the dutiable list may be transferred to the free list.

While still maintaining as sacrosanct its own preferential tariff with Cuba, with the Philippines, and with its own overseas possessions, the United States, over a period of years, dating back to the signing of the Ottawa Agreements, has directed its efforts to breaking down the British Empire Preferential system.

In May, 1942, Mr. Sumner Welles, the United States Under-Secretary of State, declared "the whole history of

British Empire Preferences is a history of economic aggression".

At the conversations which resulted in the Atlantic Charter, the United States pressed for a rigid adherence to the most-favoured-nation principle. Mr. Churchill insisted on inserting the words "with due respect to their existing obligations", for the express purpose of retaining all rights and liberties over the question of Imperial Preference.

Then in 1942 the Mutual Aid Agreement pledged the United States and the United Kingdom to agreed action "for the elimination of all forms of discriminatory treatment in international commerce and the reductions of tariffs and other trade barriers". Again Mr. Churchill secured, in private correspondence, an assurance from President Roosevelt "that we were no more committed to the abolition of Imperial Preferences than the American Government were committed to the abolition of their high protective tariffs," as he stated in the House of Commons on 1 April, 1944.

Reference has already been made in this article to the Proposals put forward by the United States Government in December, 1945, at the time of the negotiation of the Financial Agreement between the United States and the United Kingdom. In the United States draft of a suggested Charter for an International Trade Organization it is set forth that members should enter into arrangements for the substantial reduction of tariffs and for the elimination of tariff preferences. The document goes on to say that as an initial step in the process of eliminating tariff preferences it should be agreed, *inter alia*, that existing international commitments will not be permitted to stand in the way of action agreed upon with respect to tariff preferences. To put it another way, the Ottawa Agreements should be treated as "a scrap of paper". There was nothing in the document to indicate that the United States would forego, in whole or in part, the preferential arrangements which that country has with Cuba, with the Philippines and with her overseas possessions.

At one stage of the proceedings at

Geneva there was a distinct possibility that the tariff negotiations might collapse. This situation arose through the passage of the Wool Bill by Congress, authorizing the President of the United States to increase substantially the duties on wool. Although the President ultimately vetoed the Bill, nevertheless the temper of Congress toward tariff reductions was clearly revealed, and the tariff talks at Geneva stagnated for several weeks and the Australian delegation threatened to withdraw from the Conference.

About the same time the Chairman of the Ways and Means Committee in the American House of Representatives served notice to the nations at Geneva that Congress would not hesitate to undo all that might be accomplished at Geneva should the welfare of domestic industry in the United States be threatened.

Reference has already been made to the work of the Canadian delegation at the London meeting in focussing attention on "invisible trade barriers" employed so effectively by the United States. At the Geneva Conference Canada again took the lead in exposing the operation of the invisible tariff barriers employed by United States Customs administrators to hinder the importations of foreign goods. This was a feature of material importance and was highlighted in an address by Hon. L. Dana Wilgress, Head of the Canadian Delegation at Geneva, at an early plenary session of the Conference. Speaking for Canada he said:

"In considering the granting of tariff concessions we must not overlook the restrictive character of some forms of customs regulations.

"A reduction in a rate of duty would be of little practical significance if too great latitude was still left with the customs administration of the importing country to impose restrictive regulations on the importation of the goods in question."

Some of the better known obstacles under the United States Customs administration are—high and uncertain valuation for duty, unnecessary stringency in requiring marks of origin, long drawn out Court proceedings in obtaining customs ruling, and inclusion of excise taxes,

payable on sales in the domestic market of the exporting country but not payable on export shipments, in the value for duty. For example, up until a comparatively recent date the Appraisers added the Canadian sales tax of 8% to the value for duty. The Customs Appraisers even went so far as to add the British Purchase Tax, purely a consumer tax, to the value for duty on goods imported from the United Kingdom. This action was eventually disallowed but only after protracted appeals to the Courts. Then there are protective measures under the Food and Drugs Act and under the sanitary code.

If the United States adopts the General Agreement on Tariffs and Trade and/or the Havana Charter, she will then be obligated to make substantial amendments to her Tariff Act and bring her customs administration into line with the provisions of the Agreement and Charter.

The Executive can reduce tariff rates within certain limits but cannot change the administrative provisions of the Tariff Act. Only Congress can change the law.

The delegation from Canada to the Second Session of the Preparatory Committee, and to the discussions and tariff negotiations which resulted in the establishment of the General Agreement on Tariffs and Trade, was under the capable leadership of the Hon. L. Dana Wilgress, at that time the Canadian Ambassador to Russia, and presently Canadian High Commissioner in London. Hector B. McKinnon was second in command. Also included in the delegation were David Sim, Hubert R. Kemp, John J. Deutsch, F. A. McGregor, Commissioner under the Combines Investigation Act, and other Civil Servants from the Departments of External Affairs, Finance, Trade and Commerce, Agriculture and National Revenue.

In order to expedite its work on the Charter the Preparatory Committee was divided into two commissions, each of which consisted of representatives of all Delegations. Hon. L. Dana Wilgress was appointed Chairman of Commission B.

In connection with the tariff negotiations Canada had only one negotiating team consisting of Hector B. McKinnon, Hubert R. Kemp, W. J. Callaghan, G. B. Urqu-

hart, G. C. Cowper and A. L. Neal. The United States had at least twenty teams, about one for each country with whom they were negotiating.

At the conclusion of the tariff negotiations, Mr. Wilgress, Head of the Canadian Delegation was elected Chairman of the Contracting Parties to the General Agreement on Tariffs and Trade.

V

THE United Nations *Trade and Employment Conference* opened in *Havana* on 21 November, 1947, with delegates present from 59 countries, and continued in session until 24 March, 1948. Ten of the countries represented at the Conference are not members of the United Nations.

Also attending the Conference were representatives of the following non-governmental organizations: International Chamber of Commerce, International Organizations of Industrial Employers, and International Co-Operative Alliance. Four inter-governmental organizations were also represented: International Monetary Fund, World Bank for Reconstruction and Development, Food Agriculture Organization, and International Labour Office.

The Conference was convened to consider the Charter for an International Trade Organization which had been drafted at Geneva. The General Agreement on Tariffs and Trade was not submitted to the Havana sessions.

The Draft Charter came to the Conference with over fifty reservations and with a number of problems which the Preparatory Committee had been unable to resolve during the four months' session at Geneva. In these cases, the Committee submitted alternative drafts—on the method of voting in the Conference, the composition of the Executive Board, the functions of the Tariff Committee, and relations of members with non-members, to mention a few of the problems.

If the nations comprising the Preparatory Committee had any thought that the road to a Charter and to the formation of an International Trade Organiza-

tion would be an easy one, they were very soon disillusioned. As a matter of fact, the countries which met at Geneva, or at least those countries whose delegates were realists, must have envisioned the distinct possibility that the Havana Conference might not adopt a Charter, or that the resulting document might be so changed or watered down as to be unacceptable to the original group. Their anchor to leeward was the General Agreement on Tariffs and Trade, by means of which they could operate if a Charter failed to emerge.

The Conference opened with a series of Plenary Sessions, at which the head of each delegation set forth the problems and views of his country. The Conference then divided into six Committees, each dealing with a separate part of the Draft Charter:

- I. Employment and Economic Activity (Chapter II of the draft document);
- II. Economic Development and Reconstruction (Chapter III);
- III. Commercial Policy (Chapter IV);
- IV. Restrictive Business Practices (Chapter V);
- V. Inter-Governmental Commodity Agreements (Chapter VI);
- VI. Organization (Chapter VII).

The Hon. L. Dana Wilgress of Canada was named Chairman of Committee III by the Havana Conference.

The Committees were, in effect, miniature conferences, as each country was represented in each of the six groups. The articles in the several sections of the Charter, together with proposed amendments, were discussed systematically by the appropriate Committee. Then a small sub-committee or working party was usually set up to co-ordinate the resulting decisions and, where necessary, to redraft the article or the sections referred from the main Committee.

Before the Committees got down to work, some 800 amendments had been submitted—chiefly by countries which had not attended the sessions in London and

Geneva. Of these, about 300 consisted of proposals to amend the articles dealing with Commercial Policy, as found in Chapter IV—the most important chapter in the Charter.

The theme song of the Latin American countries and of the countries of the Near, Middle and Far East was the necessity of providing for the economic development of these countries, their right to receive assistance in developing new industries, and their right to protect these new industries by preferential arrangements, by tariffs and by other means, chiefly by import restrictions and prohibitions. Later in the Conference they went even further and demanded the right to use QRs, as Quantitative Restrictions are called, to protect existing industries.

One of the first issues to come before the Conference was that of voting. The United Nations Economic and Social Council had ruled that at the Havana Conference only member countries could vote. There were some ten non-member invited countries, including Switzerland, Italy, Ireland, Finland and others, that were accordingly without voting rights. Argentina led a group of countries in demanding that these non-member countries should have voting rights. As the Conference could not act in defiance of the United Nations ruling, they cut the Gordian knot by deciding that there should be no voting and that the Chairman of a Committee would have to determine the preponderance of opinion of the members attending the meeting and decide accordingly.

Argentina was almost the "problem child" of the Conference. She was a prolific source of amendments, took a leading part in the discussions and generally supported moves to weaken the Charter. At the same time it was realized quite early in the session that she would not accept the Charter and she did not sign the Final Act. She was not prepared to surrender any of her sovereign rights to an international organization.

The Draft Charter contained three separate proposals for voting in the Conference when the International Trade Organ-

ization is set up. Two involved a weighted system of voting, which method was supported by the United States, United Kingdom, Canada and a number of other large trading countries, as it would give them a voice in the proposed International Trade Organization comparable to their economic strength. The third plan was "one country—one vote". This method was actively supported by the smaller countries, and they so far outnumbered the other groups, and were so persistent in their attack that in the end the United States and the United Kingdom consented to accept this method, provided they and other important trading nations had a permanent seat on the Executive Board.

THE United States delegation was bent on securing a charter even if it did not measure up to the Geneva draft. This situation was realized by the countries which were pressing for freedom of action without prior approval and encouraged them to demand concessions. The United States would have lost face if the Conference had broken up without having produced a charter, but the situation appeared so hopeless in late December that the United States delegates considered moving to adjourn the conference indefinitely and asked for instructions from their Government.

On 10 January, 1948, the General Committee of the Conference met and listed some seven principal unresolved issues which threatened the success of the Conference. These were (1) the right to use Quantitative Restrictions without prior approval; (2) the right of countries to set up preferential tariff systems without prior approval; (3) the composition of the Executive Board; (4) the composition and function of the Tariff Committee; (5) the status of the International Court of Justice; (6) relations between ITO members and non-members; and (7) the demand for an Economic Development Committee.

It took more than two months of unremitting effort, plus the good offices of a small Co-ordinating Committee, before these various issues were resolved and agreement reached. The countries spon-

soring the Geneva draft struggled to hold the line but in the end compromises were the order of the day.

In the matter of Quantitative Restrictions intended to promote the establishment, development or reconstruction of particular industries or branches of agriculture, it was finally agreed that automatic approval is to be granted to a member to apply QRs if certain stated criteria are fulfilled.

While the Organization is to be notified as to any new preferential agreement between two or more countries, automatic approval is to be given if the new preferential agreement fulfills stated conditions.

In regard to the composition of the Executive Board the Preparatory Committee sent forward three proposed texts. Two of these provided that eight named countries of chief economic importance were to be entitled to membership on the Board. The Conference rejected all three and drafted a new Article which provides for a Board of 18 members which is to be representative of broad geographical areas. The Conference will determine, by a two-thirds majority of the members present and voting, the eight members of chief economic importance who shall be declared members of the Board. The Executive Board is an important part of the setup of the ITO as it will be responsible for the execution of the policies of the Organization and will exercise the powers and perform the duties assigned to it by the Conference.

The Charter, as drafted at Geneva, contained an Article providing for a Tariff Committee, which was to act in the place and stead of the Organization in requiring members to enter into negotiations with other members for the reduction of tariffs and the elimination of preferences, and to deal with complaints that a member has failed to comply with its obligations. There was strong opposition by the smaller countries to a committee with such powers and the Article was finally dropped.

There was also considerable opposition to the Article in the Geneva draft providing that advisory opinions on legal

questions arising within the scope of the Organization's activities may be requested by ITO from the International Court of Justice. The draft Article also provided that decisions of the Conference are to be subject to review by the same Court at the instance of a member whose interests are thereby prejudiced. Eventually, however, the Article, with some slight changes, was adopted.

The Preparatory Committee forwarded three proposed texts governing relations between member-states and non-members. The Conference did not approve any of the texts and drafted a new Article which is less restrictive. Members will be permitted to enter into a preferential agreement or into a customs union with non-members in the interest of programmes of economic development or reconstruction for one or more of the countries concerned.

There was an insistent, but unsuccessful, demand from a large number of under-developed countries for an Economic Development Committee within the framework of the Organization. However, the Conference adopted a resolution directing the Interim Commission of ITO to undertake a twofold examination in regard to industrial and general economic development and reconstruction. Firstly, the relevant powers, responsibilities and activities of the United Nations, the specialized agencies and other inter-governmental organizations were to be reviewed. Secondly, the Interim Commission was to examine the availability of facilities for technical surveys or studies of the natural resources of under-developed countries and on the possibilities for industrial development or for improvements in transportation and communication systems. In conjunction with this second line of inquiry, consideration was to be given to the manner in which a contribution might be made through the investment of foreign capital. The Interim Commission is to report its findings to the Organization so as to enable the ITO most effectively to carry out its functions for the promotion of the economic development and reconstruction of Member-States.

THE Havana Charter recognizes 13 groups of territories in which preferences are in force and which may remain in force, subject always to negotiation. The list is comprised of the British Empire and Commonwealth, the French Empire, Benelux and its Possessions, Portugal and its Possessions, the United States and its Dependent Territories, the United States and Cuba, the United States and the Philippines, the Syro-Lebanese Customs Union and the neighbouring countries of Palestine and Transjordan, three groups of countries in South America, one group in Central America, and countries formerly a part of the Ottoman Empire and detached from it in 1923. In respect of all of these preferential systems, the supporting agreements do not provide general most-favoured-nation tariff treatment for the products specified therein.

Other groups of countries are permitted to establish preferential tariff systems for the purpose of economic development or reconstruction in one or more of the countries concerned. If certain conditions set out in the Charter are observed, the Organization has no option but to approve the agreements. If the conditions are not fulfilled, the preferential arrangement may be put into effect only with the approval of ITO—a proviso which requires a two-thirds majority of the members present and voting.

The Charter also provides for the formation and establishment of customs unions and free trade areas. The General Agreement on Tariffs and Trade contains similar provisions.

A customs union of Belgium, the Netherlands and Luxembourg, known as Benelux, was recognized and approved by the Geneva Conference in 1947.

The Contracting Parties, at their Third Session at Annecy in the summer of 1949, gave approval to the restoration of a customs union between South Africa and Southern Rhodesia. The existence of a customs union between Lebanon and Syria was also recognized. The French Government informed the Contracting Parties that France and Italy proposed to establish a customs union. The Danish, Norwegian and Swedish delegates advised

that their countries were considering the formation of a Scandinavian customs union, possibly including Iceland. The Colombia Delegation informed the Contracting Parties that steps had been taken, together with Venezuela, Ecuador and Panama, towards the formation of a customs union. The first three countries named have certain preferential arrangements which are recognized in the Havana Charter.

The setting up of these customs unions means that each country in the union will secure a much wider domestic market than it would otherwise enjoy. For example, France will be able to market her products in Italy on terms of equality with Italian manufacturers, and vice versa. Thus France will enjoy a preference in the Italian market over other countries.

The formation of a customs union is, however, not one of easy accomplishment. Belgium, Luxembourg and Holland have not yet succeeded in bringing their union to complete fruition although it is fully three years since they started work on the project. It is estimated it will take at least another year, perhaps longer, to bring the economies of the three countries into complete harmony. South Africa and Southern Rhodesia contemplate a ten-year period in which to complete the formation of their union.

The Charter was completed on 24 March, 1948. On that date, 54 countries signed the Final Act which authenticated the text of the Charter as agreed on, and which is to be known as the Havana Charter. The signing of the Final Act does not impose any obligations on the signatory countries to accept and adopt the Charter. It will be submitted to the various Governments for their approval, and those Governments which do approve are expected to present it for ratification in accordance with their constitutional procedure. The government of each State accepting the Charter will deposit an instrument of acceptance with the Secretary-General of the United Nations.

Poland and Argentina refused to sign the Final Act. The head of the delegation from Argentina stated that his coun-

try would never give up her national sovereignty to the extent of asking any International Organization for prior approval of her economic policies. He also referred to the fact that his country had submitted a long list of exceptions which had not been accepted by other members of the Conference. Chile and eleven other countries signed the Final Act but are maintaining reservations on various Articles in the Charter. Most of these reservations are on minor points.

The only country from behind the "Iron Curtain" that signed the Final Act at Havana was Czechoslovakia. She was a member of the Preparatory Committee and was a signatory to the General Agreement on Tariffs and Trade. Russia was invited to be a member of the Preparatory Committee but she did not attend the sessions of that Committee nor was she represented at the Conference in Havana.

Article 103 of the Havana Charter provided that it should enter into force 60 days after the day when more than half of the Governments which signed the Final Act had deposited instruments of acceptance with the Secretary-General of the United Nations.

If this plan were not operative within twelve months from the completion of the Charter—that is, by 23 March, 1949—then deposit of instruments by 20 of the signatory Governments would bring the Charter into effect. However, were this action not taken by 30 September, 1949, then the Secretary-General was to consult with the Governments which had deposited instruments of acceptance, to see whether and on what conditions they wished to implement the Charter.

Only one country has accepted and approved the Charter—the Republic of Liberia. One other country, Australia, has stated its willingness to accept the Charter if and when it is accepted by the United States and the United Kingdom.

The personnel of the Canadian delegation at Havana, although headed by the Hon. L. Dana Wilgress, was somewhat different from that at Geneva. The members of the tariff negotiating team, for

example, were not present, since their services were not required. Mr. Wilgress had with him C. P. Herbert, a former member of the Canadian Tariff Board, L. E. Couillard, representing the Department of External Affairs, W. F. Bull from the Department of Trade and Commerce, A. W. Brown from the Department of National Revenue, S. S. Reisman and G. N. Perry from the Department of Finance, A. E. Richards from the Department of Agriculture, and F. A. McGregor, Commissioner of Combines Investigation. The Conference showed its confidence in Canada's Dana Wilgress in appointing him Chairman of the Committee on Commercial Policy, and this confidence was amply justified.

V

HAVING prepared the Havana Charter for an International Trade Organization, the Conference considered that certain interim functions should be performed, pending establishment of ITO. For this purpose, the Conference authorized, by resolution, the formation of an *Interim Commission*, consisting of the 52 countries whose governmental delegates approved the plan.

Some of the functions of the Interim Commission are as follows:

1. To convoke the first regular session of the Conference of the Organization, after the Havana Charter comes into force;
2. To prepare a provisional agenda for the first regular session, together with recommendations as to the budget for the first year, the selection of headquarters, etc.;
3. To prepare, in consultation with the United Nations, a draft agreement to bring the Organization into relationship with the UN as one of the specialized agencies;
4. To prepare, in consultation with inter- and non-governmental organizations, recommendations for co-operation between ITO and other organ-

izations which have related responsibilities or are concerned with matters within the scope of the Charter;

5. To carry out the functions and responsibilities referred to in various resolutions adopted by the Havana Conference;
6. To perform such other functions as may be ancillary and necessary to the effective carrying out of the matters set forth in the Resolution establishing the Interim Commission.

The Resolution also provided for the election of an Executive Committee to exercise any or all of the functions of the Interim Commission. Dana Wilgress, who had shown outstanding ability as Chairman of the Committee on Commercial Policy, was the unanimous choice as Chairman of the Executive Committee. He is also Chairman of the Contracting Parties to the General Agreement on Tariffs and Trade.

Two years have elapsed and, as previously stated, the only country which has deposited an instrument of unconditional acceptance is the Republic of Liberia. The former Australian Government announced that it was prepared to approve and accept the Charter provided it is approved and accepted by the United States and the United Kingdom.

It is a generally accepted fact that most of the countries which signed the Final Act at Havana are waiting to see what action is taken by the United States.

The United States sponsored the plan for an International Trade Organization and a Charter. It is true that the United States Government is not enamoured with the Havana Charter. The brave document which set forth on its travels in September, 1946, has had a rough passage. The London Conference modified it, Geneva weakened it, and Havana very nearly wrecked it. The underdeveloped countries have been successful in securing freedom of action to do many things which the Charter condemns.

Dana Wilgress, who was the head of the Canadian Delegation at the Geneva and Havana Conferences, made the state-

ment last summer that the Charter drafted at Geneva represented a compromise between conflicting views and interests. As to the Havana Charter he admitted that it is weaker than the Geneva Draft because it contains more qualifications and escape clauses.

Many trade and business organizations in the United States are opposed to ratification of the Havana Charter. Among these are the National Association of Manufacturers, the United States Chamber of Commerce and the National Foreign Trade Council. These are three of the four organizations which sponsored the International Business Conference at Rye, N. Y., in November, 1944. That conference of business men from 52 countries, as described in the opening sections of this article, declared itself in favour of a Multilateral Trade Convention, an International Economic Charter and an International Economic Organization. But the associations named have decided that they cannot go along with the Charter which came out of Havana.

In addition to these organizations, opposition to the Havana Charter has been recorded by the American Tariff League, the American Bar Association, the New York Board of Trade, the National Economic Council and others.

The magazine *FORTUNE*, in its September, 1949, number, carried an article by Michael A. Heilperin, who was the economic adviser to the International Chamber of Commerce at both the Geneva and Havana Conferences. He states his belief that the Havana Charter is a harmful document which should not be ratified by Congress, and proceeds to discuss the course of action that resulted in American delegates signing a document which denies rather than confirms the basic objectives of American economic policy.

Will the United States Administration submit the Charter to Congress? Or will they hold the Charter in abeyance and only ask Congress to enact legislation to amend the administrative provisions of the Tariff Act to bring them into line with the provisions of the General Agreement on Tariff and Trade? Time alone can supply the answer.

If the latter course is followed the United States, acting in concert with the twenty-two other members of the Contracting Parties, can operate quite effectively under the General Agreement on Tariffs and Trade. This number will be increased to thirty-three when the ten acceding countries sign the Annecy Protocol and become signatories to the General Agreement. The combined total includes most of the leading trading nations outside of Eastern Europe, and together they represent over eighty per cent of world trade.

THE General Agreement on Tariffs and Trade, as stated previously, is a substantive international trade agreement between the countries which signed the Final Act at Geneva on October 30, 1947, and the countries which are accepted into membership by the Contracting Parties and become signatories to the General Agreement.

The General Agreement is to all intents and purposes a Charter, containing as it does the main provisions of the Charter drafted at Geneva. These provisions have since been brought into line with the text of the Havana Charter by various Protocols adopted at the Sessions of the Contracting Parties.

The General Agreement contains a provision under which the Contracting Parties undertake to observe to the fullest extent of their Executive Authority the general principles of Chapters I to V inclusive, and of Chapter IX of the Havana Charter, pending their acceptance of it in accordance with their constitutional procedure.

It is provided also that the Agreement shall remain in force until such time as the Havana Charter becomes effective, when Part II of the Agreement shall be suspended. Parts I and III of the Agreement will continue to be administered by the Contracting Parties to GATT.

The Contracting Parties to the General Agreement on Tariffs and Trade have held three sessions. They met first in Havana on 24 March, 1948, following the conclusion of the general conference, and agreed on certain rectifications in the Schedules attached to GATT and to modifications

in certain provisions of the Agreement, in the light of the text of the Havana Charter.

The Second Session was held in Geneva from 16 August to 14 September, 1948. In addition to further rectifications and modifications to the text of the Agreement, a number of important decisions were made at this session. It was decided to extend most-favoured-nation treatment to Western Germany; the United States was given permission to accord preferences to imports from the Trust Territory of the Pacific Islands. Brazil was given temporary permission to establish rates on three items which are higher than otherwise permitted by the General Agreement; Cuba was granted authority to re-negotiate with the United States on six items and Ceylon and Pakistan were authorized to re-negotiate certain concessions each had granted to other countries.

The most important decision was to invite the Governments which were at the Havana Conference to enter into negotiations with a view to their accession to the General Agreement on Tariffs and Trade. Eleven countries accepted the invitation to attend a Conference to open in Geneva on 11 April, 1949, and to negotiate tariff reductions with the Contracting Parties. It was announced that at the 1949 meetings, there would be no re-opening of negotiations among the 23 countries which were already parties to the General Agreement, except in certain special cases.

VII

OWING to the lack of accommodation at the United Nations Palace in Geneva the *Third Session of the Contracting Parties to GATT* and also the tariff negotiations with the eleven countries desiring to become parties to the Agreement were held at *Annecy*, a town in France, about 25 miles south of Geneva.

The Third Session opened at Annecy on 8 April, 1949, and held its closing meeting on 13 August, 1949. The tariff negotiations were not concluded until

25 August, when the United States and Italy, after arduous bargaining and frequent impasses, reached an accord on mutual tariff reductions. The only country which did not complete negotiations was Columbia, which therefore withdrew, for the time being, its candidature for accession.

The ten countries which negotiated tariff concessions with the Contracting Parties were Denmark, Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden and Uruguay.

The Contracting Parties drew up a document entitled *The Annecy Protocol of Terms of Accession to the General Agreement on Tariffs and Trade*. This Protocol was open for signature for the Contracting Parties from 10 October to 30 November, 1949, and by acceding governments from 10 October, 1949, to 30 April, 1950. Of the 23 countries which are Contracting Parties to the General Agreement, all except Cuba signed the Protocol within the period stipulated. If and when the ten acceding countries sign the Protocol, they will be accepted as signatories to GATT.

Attached to the Protocol are schedules listing, by countries, the tariff concessions which were negotiated at Annecy. Under the most-favoured-nation principle, all tariff reductions agreed to by other countries at the Conference automatically become available to Canada, whether the reductions were negotiated with Canada or with some other country. Similarly, Canada automatically extends its own tariff reductions to each of the other 32 countries. The ten acceding countries, when they become signatories to the General Agreement, will also receive the benefit of the tariff concessions negotiated between the Contracting Parties at Geneva in 1947.

When any one of the ten acceding countries signs the Annecy Protocol, the tariff reductions in respect of that country will become effective at the expiration of a period of thirty days. Haiti and Liberia signed on or before 30 November, 1949. Therefore the reductions granted to these countries by the Contracting Parties, and by Haiti and Liberia in

return, became effective on 1 January, 1950.

The agenda for the Third Session of the Contracting Parties to GATT was a fairly lengthy one. The meeting was called for the purpose of giving effect to the provisions of the General Agreement which involve joint action and, generally, with a view to facilitating the operation of the Agreement and furthering its objectives. The importance of the Session warrants a summary of its record.

At Annecy, the Contracting Parties drew up five Protocols for the following purposes:

1. To bring the provisions of Article XXVI of the General Agreement into line with the Havana Charter;
2. To make certain changes in the tariff schedules, annexed to GATT, which relate to Brazil, Chile, Cuba and Pakistan;
3. To approve a new Schedule (Number 1 to the Agreement) for Australia, in which the rates of duty have been adjusted to the new basis of valuation;
4. To approve a new Schedule (Number VI) for Ceylon;
5. To approve minor rectifications to certain of the Tariff Schedules annexed to the Agreement.

Consultations were held with South Africa regarding import restrictions imposed in November, 1948, and March, 1949, to protect her balance-of-payments situation, and regarding the restrictions which were to be brought into effect on 1 July, 1949. The Conference drafted a Special Exchange Agreement. The purpose of this Agreement—to be concluded by the Contracting Parties, acting jointly, and any Contracting Party not a member of the International Monetary Fund—is to ensure that the objectives of GATT will not be frustrated as a result of independent action in exchange matters by non-members of the Fund. After examination, an interim agreement for a customs union between South Africa and Southern Rhodesia was approved, subject to periodical review by the Contracting

Parties. A number of countries submitted statements in support of the maintenance of non-discriminatory protective measures affecting imports which were in force in these countries on 1 September, 1947. These statements were thoroughly investigated by a Working Party with the outcome that some measures were withdrawn; one was considered as protecting balance of payments and therefore permissible; Cuba was allowed to continue for five years measures to protect her sisal industry; India was permitted to impose measures involving the prohibition of imports of grinding wheels; and Lebanon and Syria were given permission to maintain protective measures, for specified periods, on a considerable list of products. Examination was made of a complaint by France on the effect of Brazilian internal taxes on French exports. A complaint by Czechoslovakia that the United States had failed to carry out its obligations under the Agreement, through its administration of export licences, was inquired into and rejected. A complaint by Pakistan against India alleging discrimination in connection with rebates of excise taxes on exports from India was withdrawn, and a satisfactory settlement was reached by direct consultation between the two countries. Ceylon submitted a request that the Contracting Parties concur in a proposal to regulate (restrict) the importation of industrial products in order to facilitate the sale of like industrial products of Ceylon manufacture.

A COMPLAINT not on the agenda was one by Canada against Cuba, alleging discrimination in applying a surtax on Canadian goods while United States goods were exempt. Representations through diplomatic channels having been unfruitful, Canada decided to bring the matter to a head at Ancey. The outcome of discussions outside the Session was an admission by Cuba that the exemption from payment of the surtax on certain products imported from the United States should apply in the same manner to imports from Canada. The Cuban Government accordingly issued a Decree pro-

viding that imports from Canada of goods covered by some 165 items shall be exempt from this surtax. A proposal by the United States that most-favoured-nation treatment be extended to Japan was strongly objected to and was eventually withdrawn. A draft agreement was prepared following a request from UNESCO for assistance and advice on the problem of reducing trade barriers on educational, scientific and cultural materials.

Cuba was the problem child at this Conference. First Cuba asked for release from certain negotiated tariff commitments on a number of textile products, stating that unless emergency protective measures were taken the country's textile industry would be wiped out. Then on 10 August, the Cuban Delegation announced its withdrawal from the Session. This step followed the rejection by the Contracting Parties of a claim by Cuba that the United States had eliminated certain trade preferences enjoyed by Cuba. The case arose because the United States had agreed with Haiti to reduce the duties on certain products which are exported by both Cuba and Haiti. Cuba claimed that the effect was to reduce or eliminate completely the preference previously enjoyed by Cuba.

This was a reversal of the situation at the Havana Conference when the West Indian Republics threatened that if the United States did not grant to them the same concessions that Cuba enjoyed they would not sign the Charter.

Though still one of the Contracting Parties to GATT, Cuba, and Cuba alone, had not signed the Ancey Protocol of Terms of Accession to the General Agreement by 30 November, 1949. Then in December Cuba asked the United States for permission to withdraw or modify 58 tariff concessions granted to the United States in 1947 on textiles. The United States State Department has announced that as a result of this request American Officials would begin renegotiating these items at a meeting in Washington early in February, 1950. Any revised agreement reached between Cuba and the United States will have to be approved by the other member countries, Contract-

ing Parties to GATT, before going into effect.

One matter which stood out at the Ancey Conference, both because of its importance and because of the time devoted to it, was the question of import restrictions which may be applied under the Agreement. In his speech at the conclusion of the Session, L. D. Wilgress, Chairman of the Conference, said:

"It is not only the United Kingdom that is likely to be in this position. We can foresee that similar circumstances may soon arise with respect to many of the Contracting Parties. In fact I do not think I am being too pessimistic when I predict that, before long, nearly half of the Contracting Parties will be substantially intensifying import restrictions."

Import restrictions are permitted in the case of a member experiencing balance-of-payments difficulties. About this time the United Kingdom, in accordance with the provisions of the Agreement, had notified the Contracting Parties of its intention to intensify import restrictions, particularly against the so-called "Dollar" countries. At the same time the United Kingdom removed restrictions on a considerable list of goods when imported from countries in the sterling area and from most of the European countries which are receiving aid under the Marshall Plan. It is also of interest to note that some of these countries, possibly under pressure from the Economic Cooperation Administration, have agreed to permit the importation from neighbouring countries of certain goods now prohibited entry.

The Canadian Delegation to the Third Session of GATT and Second Round of Tariff Negotiations was headed by Hon.

L. Dana Wilgress, High Commissioner for Canada in the United Kingdom. At the same time he was Chairman of the Ancey Conference. L. E. Couillard of the Department of External Affairs was the Alternate Head of the Delegation, and the Tariff Negotiating Team consisted of W. J. Callaghan, Hubert R. Kemp and A. L. Neal. The other members of the delegation were G. N. Perry and S. S. Reisman of the Department of Finance, and A. E. Richards of the Department of Agriculture.

On 17 November, 1949, the Secretary of State for External Affairs announced that Canada will participate in a third set of tariff negotiations under the General Agreement on Tariffs and Trade, to begin on 28 September, 1950. The place for the meetings will be decided by the Fourth Session of the Contracting Parties, which opened on 23 February, 1950.

The negotiations will follow the pattern set at the trade conference held at Geneva in 1947 and at Ancey in 1949. It is expected that the 1950 conference will provide an opportunity for further tariff negotiations with the United States and the other countries which participated in the earlier sessions.

In addition, invitations have been extended to 29 countries which are not now parties to GATT but which may wish to participate in the negotiations with a view to becoming members. The final list of actual participants will not be known for some time. As of 1 January, 1950, six countries had announced their intention to take part in the 1950 conference and seven countries had the matter under consideration. Two were sending observers, three replied that they would not participate, and replies were being awaited from the other countries.