

When the war broke out, it became apparent that this state of affairs had had a lot to do with bringing about the situation which gave rise to war. Peace and prosperity were recognized as indivisible. It was, therefore, natural that during the course of the war attention was directed to the various types of organization which would promote better international understanding in the future and alleviate those international frictions which gave rise to war.

To assure peace an international security organization had to be recreated and this led to the discussions which resulted in the San Francisco Conference and the signing of the United Nations Charter. To assure prosperity it was proposed that there should be a whole series of Specialized Agencies dealing with the various phases of financial and economic relations between countries. The most important of these organizations were to be the International Monetary Fund, the International Bank for Reconstruction and Development and the International Trade Organization.

Just as we are all inclined to prepare for the next war on the basis of our experience in the last, so we began to prepare for the peace in the light of our experience between the wars, which meant in the light of what had happened during the great depression of the 30's. At that time one of the chief disabilities to trade had been fluctuating exchange rates; so, as early as 1952, attention was directed to organizations which would assure the stability of currencies and also correct some of the other known deficiencies in the international monetary arrangements of the inter-war period. This gave rise to the discussions which eventually led to the founding of the International Monetary Fund and the International Bank for Reconstruction and Development.

At about the same time the countries concerned were considering the setting up of an organization which would deal with questions pertaining to the exchange of goods between nations. It was out of these discussions that there grew the proposals for the International Trade Organization or ITO. As early as 1943, consultations on this subject took place between representatives of the United Kingdom, the United States and Canada. Since discrimination in trade had been a source of international friction in the past, and since the Atlantic Charter of August 12, 1941, and other instruments accorded official recognition to the principle of non-discrimination in trade, it was early recognized that the new organization should be founded on the basis of the unconditional most-favoured-nation clause. This made it necessary, however, to consider what should be done with recognized derogations from this clause, such as the preferences exchanged between the countries of the British Commonwealth of Nations.

Another very important factor was fear of a recurrence of the mass unemployment which had played such social havoc during the depression of the 30's. This factor prevented the full application of liberal principles to the proposals for the International Trade Organization. It was understood that countries might well become involved in balance-of-payment difficulties through measures taken to assure full employment at home. The right, therefore, would have to be accorded to countries both to resort to quantitative restrictions and to discriminate in the use of these restrictions whenever they became involved in balance-of-payment difficulties.