

blow at the whole conception of an International Trade Organization. It might never be possible to call the countries together again to discuss a Charter. Overshadowing everything was the Soviet Union and the political capital they might make out of a breakdown of the Havana Conference.

36. The selective approach, instead of the universal approach, also was rejected on political grounds. The Head of the French Delegation referred to the opposition in France to the General Agreement on Tariffs and Trade and affirmed that the only chance of securing French acceptance of that Agreement was to present it for ratification along with a Charter for the International Trade Organization approved by a large number of countries. Otherwise both the Communists and Socialists in France would make too much political capital out of the thesis that the General Agreement was an attempt by the United States to form an exclusive capitalist bloc. The Honourable J.J. Dedman, Chief of the Australian Delegation, also contended that Australia could not accept the General Agreement without a Charter. He had in mind particularly the Employment Chapter of the Charter, to which the Australians attach so much importance and which is not included in the General Agreement. Thus it was that no other approach than the universal one proved to be politically feasible. If there was to be a Charter at all, it had to be flexible enough to secure the adherence of as many countries as possible.

37. After the New Year the Conference continued to discuss the various sections of the Charter through the elaborate mechanism of the six main committees, numerous sub-committees and working parties. Progress was lamentably slow. The difficult problem of composition of the Executive Board was tackled and gave rise to endless debate and jockeying for position. The dangerous proposal for an Economic Development Committee commenced to meet with general acceptance in the form of a sub-committee of the Executive Board, to which status the Tariff Committee also was to be reduced. Resistance continued to be offered to the creation of new preferences, but the idea of "a Free Trade Area" as a new form of Customs Union, less rigid and therefore easier to attain than the old form of Customs Union, was thrown out and made an immediate appeal to the Arab group of States and to the Central American group. It served to make these two groups less insistent upon freedom to use quantitative restrictions for the purpose of economic development without prior approval of the Organization. On this latter question, however, the Conference continued to be deadlocked. In the meantime good progress was made with the less controversial parts of the Charter, such as the Chapter on Employment, the technical articles dealing with questions of customs administration and the Chapters on Restrictive Business Practices and Inter-governmental Commodity Agreements. On the organizational side, besides the composition of the Executive Board, difficulties still were being experienced in relation to the settlement of differences, relations with non-Members, boycotts for political purposes, and the treatment of areas under military occupation.

38. During the month of January considerable progress was made in the solution of the main issue that had been separating the Canadian and United States Delegations. This was the question of export subsidies. At London it had been agreed that export subsidies would not be permitted after a certain period, except in the case of a breakdown of negotiations for an intergovernmental commodity agreement. The Canadian Delegation had reserved its position on this exception,