

The broad principles contained in this Chapter have been clearly recognized and incorporated in Canadian Government policy in the now well-known White Paper on Employment and Income, 1945.

This Chapter is perhaps more significant for the "finger-pointing" it engages in rather than for the specific provisions, which are general and weak. In "pointing up" the responsibility of large creditor nations in the balance of payments difficulties of other countries it performs a useful function which under present circumstances can hardly be overstressed. In emphasizing the responsibility of the large industrial powers in maintaining a high level of imports, as a condition of international economic stability and barrier-free trade, it touches on the most significant feature behind the disastrous decline in Canadian trade during the Thirties.

CHAPTER III - ECONOMIC DEVELOPMENT AND RECONSTRUCTION

The Chapter on Economic Development and Reconstruction recognizes the principle that the progressive development of underdeveloped countries and regions, and the reconstruction of war-devastated countries is closely related to the purposes of the Charter of raising the level of trade and improving living conditions generally. It indicates the nature and extent of responsibility in achieving economic development and reconstruction as between the countries seeking development, the more advanced countries, the Organization and other international institutions and specialized agencies. It contains broad undertakings by all Members to co-operate in promoting development by positive action, in the knowledge that it is in the international interest to achieve economic development. It recognizes that economic development may require government assistance in the form of protective measures, but issues clear warning that such protective devices, unless used wisely, would operate against the best interests of the country imposing them, would impose unnecessary difficulties on other countries, and would impede the achievement of the objectives of the Charter.

More significantly, it includes two broad exceptions from the basic principles contained in the Chapter on Commercial Policy: (1) Notwithstanding the general ban on the use of quantitative restrictions, it permits the controlled use of quantitative trade restrictions for purposes of economic development; and (2) Notwithstanding the ban on discriminatory trade practices it permits the establishment of new preferential arrangements for purpose of economic development in certain closely circumscribed circumstances.

The Chapter on Economic Development proved to be the most controversial at the Havana Conference. It was argued that the precise provisions on Commercial Policy, directed to the elimination and reduction of trade barriers, would tend to freeze the current pattern of production and trade, protect the competitive position of the large industrial countries, and impede the development of the economically backward regions. While recognizing that the inclusion of a Chapter on development was a step in the right direction, it was argued that the chapter was weak in its positive provisions to promote development, and inadequate in the limited rights it granted to use quotas and preferences for development purposes. Not far beneath this sophisticated plea to encourage economic development was the desire to protect certain uneconomic industries that had sprung up during the war. In its extreme form, this position supported the uncontrolled use of quantitative restrictions and new preferential arrangements to protect established in-