

Although slow in getting under way, the trade negotiations proved to be very successful and led to substantial reductions in duties over a wide front and covering a large proportion of world trade. The results of the negotiations were embodied in an instrument known as the General Agreement on Tariffs and Trade.

At the same time as the tariff negotiations were taking place, a draft charter for an International Trade Organization was being drawn up. I have already indicated that the United States proposals on which the discussions were based had led to a departure from strict liberal principles of trade in order to accommodate the misgivings of those who feared a recurrence of the mass unemployment of the 30's. During the deliberations on the draft charter in the Preparatory Committee, it also became evident that the strict application of liberal principles would have to be modified in order to take account of the desires of underdeveloped countries. They wished to resort to special measures to enable them to force the pace of their economic development. In particular, these countries wished to use quantitative restrictions to accomplish this end.

The United Nations Conference on Trade and Employment took place in Havana during the winter of 1947-48 and was attended by the representatives of fifty-four countries. The draft charter prepared by the Preparatory Committee was taken as the basis of the deliberations at the conference. At once a clash of views developed between those who wished to limit the use of quantitative restrictions and those who wished to justify their use, either to assure the maintenance of full employment or to force the pace of economic development. Concessions had to be made to both points of view with the result of an inevitable compromise that really satisfied no one. In particular the Havana Charter met with a very cool reception in the United States because it fell so far short of what was desired. It was some years, however, before it became clear that the charter would never be ratified.

In the meantime, meetings had been taking place of the Contracting Parties to the General Agreement on Tariffs and Trade. That agreement, besides giving effect to the tariff concessions negotiated at Geneva, embodied certain provisions of the Havana Charter. The General Agreement consisted of three parts and Part II consisted of articles taken from the charter of the International Trade Organization. It was intended that Part II should be suspended once the Havana Charter came into effect. The ITO would then have taken over supervision of the operation of the General Agreement. The principle underlying the selection of articles from the charter for the purpose of the agreement had been the inclusion chiefly of those provisions which were necessary to safeguard the tariff concessions. Consequently the articles had been taken mostly from the Commercial Policy Chapter of the Havana Charter. It had been necessary, however, to include one article from the Chapter on Economic Development.

It is important to bear in mind that the General Agreement has not yet been ratified by any country. It is, however, being provisionally applied in accordance with a Protocol of Provisional Application. This protocol provided that the governments would apply provisionally Parts I and III of the General Agreement and Part II "to the fullest extent not inconsistent with existing legislation".