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Fourth Session—Twenty-fourth Parliament

1960-61

# THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE ON

## EXTERNAL RELATIONS

on the Convention on the Organization for Economic Co-operation and  
Development and the Supplementary Instruments, signed in  
Paris on December 14th, 1960.

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WEDNESDAY, MARCH 8, 1961



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The Honourable G. S. THORVALDSON, *Chairman*

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WITNESS:

Mr. A. E. Ritchie, Assistant Under-Secretary of State for External Affairs.

REPORT OF THE COMMITTEE.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1961

THE STANDING COMMITTEE ON EXTERNAL RELATIONS

The Honourable Gunnar S. Thorvaldson, *Chairman*

The Honourable Senators

*Aseltine	Hardy	Robertson
Beaubien ( <i>Provencher</i> )	Hayden	Savoie
Boucher	Horner	Taylor ( <i>Norfolk</i> )
Bradette	Howard	Thorvaldson
Bradley	Hugessen	Turgeon
Crerar	Inman	Vaillancourt
Croll	Jodoin	Veniot
Farquhar	Lambert	Vien
Farris	Lefrancois	Wall
Fergusson	MacDonald ( <i>Queens</i> )	White
Fournier	*Macdonald	Wilson (35).
Gouin	McLean	
Haig	Monette	

(Quorum 7)

\*Ex officio member

## ORDER OF REFERENCE

TUESDAY, March 7, 1961.

Extract from the Minutes of the Proceedings of the Senate.

“With leave of the Senate,

The Honourable Senator Thorvaldson moved, seconded by the Honourable Senator Beaubien (*Bedford*):

That the Convention on the Organization for Economic Co-operation and Development and the Supplementary Instruments, signed in Paris on December 14, 1960, which were tabled in this House on December 19, 1960, and printed as an Appendix to the Debates of the Senate and to the Minutes of the Proceedings of the Senate for March 2, 1961, be referred to the Standing Committee on External Relations for consideration and report.

The question being put on the motion, it was—  
Resolved in the affirmative.”

J. F. MacNEILL,  
*Clerk of the Senate.*

## REPORT OF THE COMMITTEE

WEDNESDAY, March 8, 1961.

The Standing Committee on External Relations have in obedience to the order of reference of March 7, 1961, considered the Convention on the Organization for Economic Co-operation and Development and the Supplementary Instruments, signed in Paris on December 14, 1960.

Your Committee recommends the said Convention to the favourable consideration of the Senate.

Your Committee further recommends that authority be given for the printing of 800 copies in English and 200 copies in French of the proceedings of the Committee with respect to the Convention.

All which is respectfully submitted.

G. S. THORVALDSON,  
*Chairman.*



## MINUTES OF PROCEEDINGS

WEDNESDAY, March 8, 1961.

Pursuant to adjournment and notice the Standing Committee on External Relations met this day at 4.30 p.m.

*Present:* The Honourable Senators Thorvaldson, *Chairman*; Aseltine, Crerar, Croll, Fergusson, Horner, Hugessen, Inman, Lambert, MacDonald (*Queens*), Macdonald, Robertson, Savoie, Turgeon and Wilson—(15).

*In attendance:* The official reporters of the Senate.

Pursuant to the Order of Reference of March 7, 1961, the Committee considered the Convention on the Organization for Economic Co-operation and Development and the Supplementary Instruments, signed in Paris on December 14, 1960.

Mr. A. E. Ritchie, Assistant Under-Secretary of State for External Affairs, appeared before the Committee and explained the terms of the said Convention.

It was Resolved to report recommending the said Convention to the favourable consideration of the Senate.

It was further Resolved to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of their proceedings on the said Convention.

At 6.00 P.M. the Committee adjourned to the call of the Chairman.

Attest.

Gerard Lemire,  
*Clerk of the Committee.*



## THE SENATE

### STANDING COMMITTEE ON EXTERNAL RELATIONS

#### EVIDENCE

OTTAWA, WEDNESDAY, March 8, 1961.

The Standing Committee on External Relations, to which was referred the Convention on the Organization for Economic Co-operation and Development and the supplementary instruments, signed in Paris on December 14, 1960.

Senator Gunnar S. Thorvaldson in the Chair.

The CHAIRMAN: Honourable senators, we have with us today Mr. A. E. Ritchie, Assistant Under-Secretary of State for External Affairs. Is it the wish of the committee that Mr. Ritchie be asked to make a general statement on the subject of the Organization for Economic Co-operation and Development, and that we then have an opportunity to ask questions and discuss the subject?

Hon. SENATORS: Agreed.

**Mr. A. E. Ritchie, Assistant Under-Secretary of State for External Affairs:** Honourable senators, I hope it will not be considered a disrespect in any way that I have not come with a prepared statement. When I was invited this morning to appear here I welcomed the opportunity to meet with this committee and provide whatever information I could on points on which you might desire clarification or amplification regarding the Convention for the Organization for Economic Co-operation and Development.

At your suggestion, sir, perhaps I may say something general about the background of this development, and then to receive whatever questions you may care to put to me which I am in a position to answer. I am sure you are all well aware of the record of the Organization for European Economic Co-operation.

Senator MACDONALD (*Brantford*): We are not fully aware of it. We would like to hear something about it.

Mr. RITCHIE: The O.E.E.C. emerged from the initiation of the Marshall Plan for European recovery, which plan was based predominantly on aid supplied to Europe by the United States to facilitate recovery of that continent after the war. This organization, which began about 1948 and was aimed to accomplish certain things by 1952, was remarkably successful in accomplishing them, and went on after that to still further accomplishments which it seemed desirable to achieve in Europe.

Initially the O.E.E.C. was concerned mainly with the division of United States aid; that was the main function which it seemed desirable to have some organization carry out on a co-operative basis. Later on, and to some extent along with that function, but especially later on, the O.E.E.C. attempted to bring about co-operation among the European countries on many aspects of economic policies, going far beyond the mere distribution of aid.

Senator MACDONALD (*Brantford*): Would it be appropriate to give the names of the countries which were in O.E.E.C.

Mr. RITCHIE: The original countries?

Senator MACDONALD (*Brantford*): Yes.

Mr. RITCHIE: They are very much the same countries as are in the new organization. They are listed here, and perhaps I could read them off to you.

Senator MACDONALD (*Brantford*): For the record, please.

Mr. RITCHIE: The Organization for European Economic Co-operation included Austria, Belgium, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United Kingdom; it included also Yugoslavia, as a rather special observer, and during the latter part of its life, it included the United States and Canada as associated countries. We were not members, but we were more than observers; we were associated countries.

Senator MACDONALD (*Brantford*): Which Ireland was included?

Mr. RITCHIE: The Republic of Ireland.

Senator MACDONALD (*Brantford*): Northern Ireland was not included?

Mr. RITCHIE: Only as a part of the United Kingdom.

As I say, this organization had a really impressive record in the practical problem of dividing aid, when it was needed and was supplied; and in the perhaps even more difficult field of bringing about co-operation of European countries in all kinds of economic activities. When I say "economic activities", I do not mean simply trade and finance. It went much beyond that, into transportation, science, tourism, fisheries, agriculture and a great range of fields. The O.E.E.C. brought about co-operation among European countries, with Canada present along with the United States as associated countries.

Senator CRERAR: Did the steel community grow out of that?

Mr. RITCHIE: Not organically, but one might suspect that the habit of co-operation which developed in the O.E.E.C. influenced some of these other developments—perhaps the coal and steel community, perhaps the European Economic Community, and perhaps the European Free Trade Association. One might wonder whether any of these would have come into being if there had not been this experience of co-operation in O.E.E.C., but they did not formally grow out of O.E.E.C.

Senator CRERAR: It perhaps might be said that as a result of trading more freely together they developed kindlier feelings towards each other and created an atmosphere in which they could go further.

Mr. RITCHIE: This may well be the case.

Senator CROLL: Mr. Chairman, in view of the fact that the witness has said he did not have a prepared statement, do you mind if we ask questions as he goes along?

The CHAIRMAN: I think that would be a good method of getting information.

Senator CROLL: In what respects is the O.E.C.D. a tighter organization than the O.E.E.C.?

Mr. RITCHIE: To describe them in terms of tighter or looser organizations is rather difficult. In many ways the O.E.E.C., with respect to member countries, was an extremely tight and closely-knit organization with some quite specific obligations which were accepted by the members of that organization. In some respects the O.E.C.D. formally and institutionally might be considered by some to be a less-tight organization. The emphasis is perhaps more on its consultative nature than in O.E.E.C. I think the very fact that the O.E.E.C.

started off with this concrete and precise job of dividing up aid, gave it a precision and a tightness, if you will, more so than in an organization created under different circumstances.

In short, I would not really want to attempt to say which is the tighter organization. Some European countries would argue that O.E.E.C. was a tighter organization; and other countries might argue that with the inclusion of the United States and Canada, while the obligations are perhaps not as specific and not as formal or as binding, nonetheless this organization, because of the larger area involved, has brought about closer co-operation and more tightly-knit arrangements among all of the countries than was the case in O.E.E.C.

Perhaps I have not made the distinction clear. What I am trying to say is that among the original members of O.E.E.C. the arrangements were quite tight, with a fairly loose arrangement with the United States and Canada.

Senator CROLL: Just on that point, what was the thinking behind our failure originally to join O.E.E.C.?

Mr. RITCHIE: This stems from the origin of O.E.E.C., which I say was related to the division of aid. We were not among those receiving aid.

Senator CROLL: All the other members received aid?

Mr. RITCHIE: Exactly.

Senator CROLL: The United Kingdom?

Mr. RITCHIE: Yes, very much so, under the Marshall Plan.

Senator CROLL: Did we not receive off-shore aid, as they called it?

Mr. RITCHIE: Not off-shore "aid", but procurement took place in Canada. This was not aid. We were providing aid ourselves under the United Kingdom loans and otherwise on a quite substantial scale.

Senator CROLL: So the reason we were not in is that we were not receiving aid, but giving aid?

Mr. RITCHIE: That is true. The second reason is that it was considered politically very desirable that the Europeans be encouraged to help themselves as far as possible, and be encouraged to look to their own devices.

Senator LAMBERT: That was one of the conditions under which the Marshall Plan was extended to Europe—that they would run it themselves.

Mr. RITCHIE: Yes, this was considered desirable, and the effect has been wholesome. They have co-operated among themselves, with a friendly attitude towards Canada and the United States, and they have managed to improve their own conditions. This was the object of the scheme, and this object might have been somewhat detracted from if the United States and Canada had been in the organization at the beginning with the European countries.

Senator CROLL: There is one thing that troubles me at the moment. How do we justify giving the Swiss aid. They did not suffer during the war. They profited during the war. How do they come under this?

Mr. RITCHIE: There had to be included all the countries in Europe which were part of the same sort of area and the same sort of payments system. Switzerland, which is an important trading country within that very area, could not be left out, even though it was not a belligerent. Switzerland did have post-war readjustment problems that made her position somewhat similar to that of the European countries which were the original members of the O.E.E.C. I think the similarity in the problems experienced by Switzerland—they were similar but not identical—with the problems of other European countries after the war was caused by the fact that Switzerland is in this same trading network as these other European countries which are members. This made it fairly natural that Switzerland should be a part of this organization.

Senator CRERAR: There are several other countries which were not belligerents.

Mr. RITCHIE: Yes, Turkey is in there.

Senator MACDONALD (*Brantford*): I take it, then, that the only countries which are now going to be in the new organization and which were not in the former organization are Canada, the United States and Spain?

Mr. RITCHIE: Spain was in the earlier organization.

Senator MACDONALD (*Brantford*): Spain was in the original organization?

Mr. RITCHIE: Yes.

Senator MACDONALD (*Brantford*): Then there are only two—Canada and the United States?

Mr. RITCHIE: Essentially that is right. Yugoslavia will maintain a special relationship, but she had a special relationship with the original O.E.E.C. as well. What you say is quite right. The additions are the United States and Canada.

Senator CROLL: What is this special relationship? Does the special relationship give you the opportunity of taking without giving?

Mr. RITCHIE: We are now beyond the period when aid is being either given or taken. Participation in the capacity such as is now being enjoyed by Yugoslavia does not really provide an opportunity for either taking or giving in a material sense.

Senator CROLL: What benefits does Yugoslavia get out of it as an associate as against becoming a member? Why does not Yugoslavia come in? She has been associated for some time with O.E.E.C., and now she is associated again. What is the reason for that?

Mr. RITCHIE: The reason I think, sir, is that the trading system of Yugoslavia, while changing considerably, is in some fairly important respects different from the trading systems of the European countries which are members of the O.E.E.C., and, of course, quite substantially different from the trading system of our two countries in North America. To attempt to bring Yugoslavia, with its different trading system, fully into an arrangement that is really based on our kinds of trading systems, which vary in themselves but which have a great deal in common being based on the principle of free enterprise, might present problems for both Yugoslavia and for the other member countries. The other countries are multi-lateral traders with fairly free domestic economies. The principles that are set out in the convention, and the sorts of policies that might be discussed in the consultations within the organization, might possibly not be fully applicable to an economy such as that of Yugoslavia, but this does not interfere, and did not in the O.E.E.C., with quite useful consultations and discussions between Yugoslavia and the other countries which are full members of O.E.E.C.

Senator MACDONALD (*Brantford*): I was quite interested to hear that Yugoslavia has an association with this organization. I think this is the first time it has been mentioned in Parliament since this convention was presented for consideration. I read all of the debates in the House of Commons, and I do not recall reading any reference to the interest of Yugoslavia in the convention. That is very interesting and very encouraging. Do you know when Yugoslavia did become indirectly associated with O.E.E.C.?

Mr. RITCHIE: I am very sorry, sir, I could not give you the exact date, but it has been two years, I would say.

Senator ROBERTSON: It was about two years ago that it expressed an interest.

Mr. RITCHIE: With respect to the lack of any reference to Yugoslavia in any previous discussions may I say that I myself may have been assuming

something which is not yet a fact. I have been assuming that Yugoslavia would be an observer under the new organization, as she was under the old organization, and as she was during the preparatory discussions which created this new organization. If I said, as I am sure I did, that Yugoslavia was an observer in the new organization then I must say I was anticipating a bit. There are rules of procedure and by-laws for the organization which obviously would have to be laborated to cover this point, but I have been assuming, perhaps too easily, that a country which had been an observer at the O.E.E.C, and which had been an observer with a voice at the preparatory committee, would certainly be at last an observer in the future organization.

Senator HUGESSEN: Are all of the countries which compose the Inner Six and the Outer Seven free trade areas in this group?

Mr. RITCHIE: Yes, sir, they are all in. Perhaps I might continue something I was saying earlier about the origins of the O.E.E.C. and the functions that it has performed. I started off by saying it was mainly concerned about the division of aid, and it got more and more into the field of promoting economic co-operation. All of those countries in O.E.E.C. were strictly European countries, with others of us just sort of involved as associates. That European basis for co-operation was reasonably satisfactory up until a year or so ago, but when the European currencies generally became convertible and when discriminatory restrictions tended to disappear and the basis for discrimination pretty well went out the window, at that point the old O.E.E.C. became, if I may say so, somewhat out of date. Its basic European complexion and concentration on regional trade problems were not too well suited to the situation that arose when, as I say, currencies became convertible generally and the basis for discrimination disappeared, and on top of this were underlying changes in the European economic position, changes in atmosphere within Europe with the coming into being of the Six, to which reference has been made, and subsequently the coming into being of the European free trade area. There was a change in atmosphere, and co-operation, even on a European basis, became difficult after 1957-58 when those rather arduous negotiations for a general European free trade area broke down.

So a year or so ago we were confronted with a change in the basic position in Europe which made general European co-operation insufficient, for Europe had opened itself up through the convertibility of currencies, and otherwise, to the rest of the world. At the same time European co-operation was interfered with by the division of Europe in a trading sense between the Six and the Seven. At that point it became a choice between a new arrangement in place of the O.E.E.C. or nothing at all. The O.E.E.C. had begun to sort of grind to a stop, but having nothing at all seemed to be a pretty unsatisfactory substitute for this old and perhaps out-of-date organization.

At that time the possibility arose of somebody devising a plan based on a new kind of discriminatory arrangement which would not have made sense from a European point of view and would have been uncomfortable, to say the least, from a North American point of view. It was in these circumstances that initiative was taken in which the United States and Canada played their parts to create a new organization suited to the different currency and trading situation that had developed, and one which would ensure that whatever happened between the Six and the Seven, or whatever happened between any members of the group, the interests of the larger group, which would include the United States and Canada, would be taken into account.

Senator HUGESSEN: That is why it was essential for Canada and the United States to become part of it?

Mr. RITCHIE: That was the judgment.

Senator LAMBERT: Before that they were observers.

Mr. RITCHIE: Associate countries, which meant they had a voice but were not full members.

Senator LAMBERT: I am thinking about the personnel of the new organization, the O.E.C.D., in relation to the old organization, the O.E.E.C. The projected Secretary General is, of course, Mr. Thorkil Kristensen.

Mr. RITCHIE: The last Secretary General of the O.E.E.C. was Mr. Rene Sergent, a member of the French Department of Finance. His immediate predecessor, I believe, was Mr. R. Marjolin; and Sir Oliver Franks was a very important figure in the earlier discussions.

Senator LAMBERT: He went to Washington later as an ambassador from Great Britain.

Mr. RITCHIE: I believe that is correct.

Senator LAMBERT: The O.E.E.C. came to its end with the completion of the objectives of the Marshall Aid Plan which was created to provide the necessary financial aid to enable war-stricken countries of Europe to recover and become self-sufficient. The moment that the dollar situation was created so that they had a supply of American dollars in which to satisfy their economy, the job of the O.E.E.C. was practically finished, as I understand it. What I am wondering is whether as a result of ten years of experience of this old organization, the personnel of the new organization, the O.E.C.D., will be pretty well the same. In other words, with the exception of Mr. Kristensen, who will be the Secretary General, will the personnel be similar to the personnel of the old organization?

Mr. RITCHIE: The new Secretary General will clearly have to have a good deal to do with the selection and organization of his staff. It would be reasonable to assume that many members of the old O.E.E.C. secretariat, who have proven their competence and ability, as so many of them have, will be part of the staff of the new organization. I have no doubt about that.

Senator LAMBERT: I notice that the second paragraph of article 11 of this convention makes reference to the international character of the organization, and provides that the Secretary General, the Deputy or the Assistant Secretaries General and the staff shall neither seek nor receive instructions from any of the members or from any Government or authority external to the organization. Would you mind enlightening this committee on just what that means?

Mr. RITCHIE: This principle that is set out in Article XI is similar to the principle that is intended to operate in the case of many international organizations, such as the United Nations, that personnel appointed to the organization shall not remain beholden to their own governments to the point where—

Senator LAMBERT: It is a principle of status of independence?

Mr. RITCHIE: That is right, to ensure the independence and international character of the staff. On the point of continuity, you will be aware that there is a protocol and memorandum of understanding which do not deal with the question of continuity of staff, but do deal with the question of continuation of some of the features, some of the conclusions, acts, recommendations, and so on, of the old organization.

Senator MACDONALD (*Brantford*): What happens to O.E.E.C. when the new organization is set up?

Mr. RITCHIE: In a supplementary protocol on page 19 of this blue edition of the convention, provision is made for the revision of the old O.E.E.C. convention in such a way that in effect merges it in with the O.E.C.D. convention—the convention of the O.E.E.C. is in essence taken over by O.E.C.D.



Senator MACDONALD (*Brantford*): That is what Senator Fergusson mentioned last evening in the Senate.

Senator CRERAR: The O.E.E.C. was a machinery set up for the fulfilment of the Marshall Plan, which really outlived its usefulness. Is it correct to say that the Inner Six and Outer Seven were developments which grew out of the O.E.E.C.? Now, what I am interested to know is, what is the genesis of the new organization O.E.C.D.? Who suggested it?

Mr. RITCHIE: These ideas are difficult to trace back to their origins, and I think it would be hard to say with certainty precisely who suggested that the O.E.E.C. should give birth to or be transformed into the O.E.C.D.; but one can say with certainty that the original formal proposal for a discussion among the members and associated countries of the O.E.C.D., as to what should be done about the O.E.E.C., what changes should be made in it, or what kind of an organization should take its place, was made by Mr. Douglas Dillon, who at that time was the United States' Under Secretary of State, and is now the United States' Secretary of the Treasury under the new administration. Mr. Dillon, I understand, was concerned about the situation that had developed in Europe. He was concerned at the possibility that if an initiative was not taken you might have arrangements made in Europe which discriminated against other countries, including other countries in the Atlantic area, and for these kinds of reasons, and because it was evident that the O.E.E.C. had become out of date, he did propose in Paris that there be a discussion on what should be done about the field covered by the O.E.E.C.; and that gave rise to the discussions that then led on to the creation of the O.E.C.D.

Senator CRERAR: Was there the possibility of political developments growing out of that; to put it quite frankly, that France wanted really to become the leader of the Inner Six, and develop an Inner Six European community that would ultimately lead on to probable co-operation of foreign policies, and things of that nature? I suspect, though, although I have no proof of it, that the suggestion by the O.E.C.D. was in the nature of a counter to that tendency on the part of France, and that by getting the O.E.C.D. countries together and having the United States and Canada associated with them, we may develop out of that this wider trading community that would give cohesion not only to an Inner Six in Europe but in a much wider field.

Mr. RITCHIE: This is a possibility, sir, but I could not really speculate on it with much confidence.

Senator CROLL: I notice the financial regulations provided that we should pay whatever the council decides. What did we pay under O.E.E.C.; what was our contribution roughly in dollars?

Mr. RITCHIE: Frankly, I cannot suggest a precise figure for the O.E.C.D.; we paid nothing under O.E.E.C.

Senator CROLL: Because we were an associate?

Mr. RITCHIE: Yes. May I correct that to say that we did contribute a small amount of money to one of the agencies of O.E.E.C., the productivity agency.

Senator CROLL: Can you give us a rough figure?

Mr. RITCHIE: No, I could not give a figure that would really stand up. If the committee so desires I will get the last budget.

Senator CROLL: No. Tell us if it is high or low, or if it is likely to involve a great deal.

Mr. RITCHIE: Well, these are all relative terms, and I would not want, without getting the precise figures for the last O.E.E.C. budget, which may or may not be a good indication of what the first O.E.C.D. budget would be, and working out a proportionate Canadian figure.

Senator CROLL: Let me try some other way. How large was the staff of O.E.E.C. approximately?

Mr. RITCHIE: I would say approximately in the order of 500 people.

Senator CROLL: How big a staff will these people have approximately?

Mr. RITCHIE: This is very difficult to say. Some of the functions of the old O.E.E.C. may tend to wither away, but other functions which were not given as much emphasis by O.E.E.C. may tend in the new situation to receive a good deal more attention and require more staff in order that the discussion of those particular subjects should be well prepared.

Senator CROLL: Could you remember what Belgium paid under the O.E.E.C.?

Mr. RITCHIE: I would not, sir.

Senator CROLL: You haven't the figures?

Mr. RITCHIE: I have not. That does not mean we have imprudently gone ahead—

Senator CROLL: Oh, no. I know how you watch the dollar; don't worry about that.

Mr. RITCHIE: I would say it is one of the more economical organizations. Among the financial and budgetary experts it has an extremely good reputation, and I think that generally you would find it is thought to be an economical organization.

Senator CROLL: Were there many Canadians in the O.E.E.C.?

Mr. RITCHIE: Not on the staff of the O.E.E.C., no, sir. There was one distinguished Canadian national, who in addition to his earlier work in Canada had been working in the United Kingdom. He became deputy secretary general of the O.E.E.C. Unfortunately, he was killed in an automobile accident only a short while ago. I refer to Mr. Cahan.

Mr. Cahan was the senior Canadian national in the O.E.E.C. organization. There were one or two Canadians employed in other parts of the organization from time to time but we did not have, partly because we were not full members of the organization, any significant numbers of Canadians attached to the organization.

Senator CROLL: Who is our representative on it now?

Mr. RITCHIE: Do you mean on the council?

Senator CROLL: Yes.

Mr. RITCHIE: Mr. Leger is Canadian permanent representative.

Senator CROLL: Are we doing something about making arrangements to see that we are more representative in a personnel sort of way in the new organization.

Mr. RITCHIE: Well, Senator Croll, that goes back to Article 11, which as you know is intended to make persons who go into this organization independent of their nationality and Government.

Senator CROLL: But they can be Canadians before they become independent.

Mr. RITCHIE: Yes.

Senator CROLL: That is the point I am getting at. We should have some significant representation on it.

Mr. RITCHIE: Certainly, Senator Croll, it would be our hope that there would be competent Canadians whose qualifications would commend themselves to the Secretary-General and enable them to find a place in the organization.

Senator ASELTINE: I think we should press that.

Senator CROLL: I was hoping it would get across to somebody. I thought that would be the general view of the committee that we would want Canadians

in all these organizations, and there are competent Canadians. We do not expect them to be tattling to us the morning after they get the job, any more than they do when they become members of the United Nations organization, but as we are significant members we want some representation.

Senator MACDONALD (*Brantford*): I think if we were to start discussing that, every country in this organization will start pressing for representatives on it.

Senator LAMBERT: We had that experience in connection with the old set-up.

Mr. Chairman, may I ask Dr. Ritchie if there are any financial resources available to the commission in its present state of suspended animation. Between the submission of this ratification and the completion of it, what arrangements are there for financing it in the meantime?

Mr. RITCHIE: At the moment this is being handled through the O.E.E.C. budget. The O.E.E.C. is still in existence and remains in existence until the protocol becomes effective. Up to that point the expectation is that the preparatory work, and the continuation of certain of the functions of O.E.E.C. would be financed by the O.E.E.C. membership in the ordinary way. Now whether there would be any adjustment after the new organization comes into being I am not really able to say.

Senator LAMBERT: Can you say whether or not the O.E.E.C., which was really the administrative machinery for the Marshall plan received financial aid at the expense of organizations as part of the Marshall plan aid or was it financed independently by the different countries in it?

Mr. RITCHIE: It was independently financed by the member Governments. There are big operations under the O.E.E.C. to which the United States has contributed large sums of money—the European Monetary Agreement, the European Payments Union. These were bolstered financially with United States funds, but the administrative expenses of the O.E.E.C. have been financed by the member Governments.

Senator LAMBERT: If this ratification is completed what are your views, if you are free to tell them, as to what is the outlook for complete ratification by the possibly 20 member countries? Do you expect ratification to materialize within the next two years? I think 1962 is the deadline for ratification.

Mr. RITCHIE: I would not be diffident at all at making a forecast on that. I would have thought the prospects are extremely good for early ratification by the necessary number of members. The United States Senate Committee on Foreign Relations yesterday reported the convention out unanimously with one abstention, and if I may say so this represents quite a considerable step in the whole process of ratification by the various member countries.

Senator CROLL: Who was the abstention?

Mr. RITCHIE: Senator Capehart is what I have here in my note.

Senator MACDONALD (*Brantford*): Mr. Chairman, may I get back to the organization proper. I am wondering whether the benefits of this organization are going to accrue to the 20 members or is the idea to work together for the benefit of all mankind? I think that would be a very fine aim. But I would just like to know what the aim behind the organization is. May I refer the committee to Article 1 of the Convention. It reads:

#### *Article 1*

The aims of the Organization for Economic Co-operation and Development (hereinafter called the "Organization") shall be to promote policies designed:

- (a) to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while

maintaining financial stability, and thus to contribute to the development of the world economy;

- (b) to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- (c) to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

So it seems to me the aims of the organization go far beyond the advantages which will be obtained by the 20 member countries.

Mr. RITCHIE: I think this is quite true. If in fact the aims had been stated solely in terms of the welfare and progress of the member countries I think there would have been great concern on the part of many friendly countries outside this group about just what we were up to. We were somewhat concerned in the past when one or another European group had started off to do something very good for themselves and we have been concerned, not because they were aiming to injure us, but in the process of doing the things for themselves we might thereby suffer. Therefore I think to have gone less far than this would have been taken by outside countries as meaning that we really were assuming a disinterested attitude towards their similar problems, and perhaps even an adverse attitude.

Senator MACDONALD (*Brantford*): The commonwealth would be an instant case. There are only two commonwealth countries in this, Great Britain and Northern Ireland.

Mr. RITCHIE: Yes, indeed.

Senator MACDONALD (*Brantford*): Britain and Northern Ireland?

The CHAIRMAN: Southern Ireland.

Senator MACDONALD (*Brantford*): The Commonwealth countries would be the United Kingdom, Northern Ireland and Canada.

Mr. RITCHIE: Taking Northern Ireland as part of the United Kingdom and not as a separate entity.

Senator MACDONALD (*Brantford*): Northern Ireland is mentioned in the new organization.

Mr. RITCHIE: Yes, the United Kingdom of Great Britain and Northern Ireland.

Senator MACDONALD (*Brantford*): May I ask this: I read in Article V:

"In order to achieve its aims, the organization may:

- (a) Take decisions which, except as otherwise provided, shall be binding on all members;"—

Would that enable these 20 countries to agree to enter into trade agreements affecting the 20 countries only?

Mr. RITCHIE: This is part of the reason why Article I is expressed in the rather open terms in which it is expressed. Nearly all the O.E.C.D. prospective members are also participants in the general agreement on tariffs and trade. They do have obligations with respect not only to fellow members of O.E.C.D. but other countries in the world. They cannot look only to their own economic growth but must consider these other countries as well. Equally, with the binding obligations they have towards other countries they could not enter into trading arrangements amongst themselves which did not conform to the multilateral agreements to which they are parties.

Senator MACDONALD (*Brantford*): Having regard for the wider agreements, is it anticipated that trade agreements might be brought into being as a result of the setting up of this organization?

Mr. RITCHIE: It is very difficult to say what may be anticipated by one or another member of this new organization. I would not have thought that it was generally anticipated that this organization would be largely concerned with the working out of formal trade agreements; I would not have thought that was the general anticipation. One cannot, however, say with certainty what one or another member of the organization may be anticipating. This whole arrangement and what it amounts to depends very much, obviously, on what member governments decide to make of it. There are certain safeguards to lessen the likelihood of the wrong thing being made out of it, either from the point of view of member countries or countries which are outside the agreement. There are certain safeguards to ensure the interests of one or another member will not be sacrificed, and to ensure, so far as possible, that the interests of outside countries will not be overlooked. Subject to those safeguards and limitations in Article VI, on the nature of the actions which can be taken by the organization, the future of that organization, and what it will in fact become depend very much on what the member governments wish to have it become.

Senator MACDONALD (*Brantford*): O.E.E.C. did result in two trading groups, did it not?

Mr. RITCHIE: It did not produce them directly. They did occur among countries which had been co-operating in the O.E.E.C.

Senator MACDONALD (*Brantford*): I am wondering if it is likely that one great trading group may come about as a result of this association?

Mr. RITCHIE: I would not be able to speculate on that possibility, sir.

Senator HUGESSEN: If it ever comes about at all, it is much more likely to come about through this organization having been set up than if there was no such organization at all.

Senator MACDONALD (*Brantford*): I do not know if Mr. Ritchie will go that far.

Mr. RITCHIE: This convention will encourage constructive co-operation among the member countries, with due regard to the outside countries. What that might lead to I quite frankly could not forecast.

Senator LAMBERT: To what extent has the bloc of six countries, the European common market, bound itself together by agreement?

Mr. RITCHIE: The common market countries have become very closely bound together by agreement.

Senator LAMBERT: In connection with that, common tariff has been established amongst themselves. That is 10 per cent I understand; although I think it was to be lower than 10.

Mr. RITCHIE: I think you are speaking of the reductions in the tariff levels they are to make in the process of getting rid of tariffs among themselves.

Senator LAMBERT: One of the conditions of the association will be to reduce their common tariff to 10 per cent, at least, with the ultimate objective of being a free trade area?

Mr. RITCHIE: That is true among themselves, but they will still keep the common tariff to the outside world.

Senator LAMBERT: The area that is embraced by this bloc of six nations will eventually be a free trade among themselves?

Mr. RITCHIE: A customs union arrangement amongst themselves, with no barriers to trade among themselves, but with a common external tariff towards the rest of the world.

Senator LAMBERT: I suppose one of the propositions that will be considered by the O.E.C.D., when it comes into existence, will be to expand that area, if

possible, by negotiation to include the Atlantic community as a whole? That is one of the objectives, surely, of this whole convention?

Mr. RITCHIE: If you were asking whether one of the stated objectives of O.E.C.D. was to create a customs union on the model of the common market of six for the whole of the Atlantic area—if that is thought to be one of the stated objectives of this organization, I do not think that is the case. This convention does not attempt to foresee or prejudge exactly what kind of trade arrangement there may be among the member countries. It does ensure there will be close consultation on whatever kind of trading arrangements the member countries may be inclined to work out.

Senator MACDONALD (*Brantford*): Among themselves or for other countries not in the 20?

Mr. RITCHIE: All these things are possible.

Senator LAMBERT: Is not its promotional objective to create a bigger area of trading in the so-called Atlantic community, including the committee of twenty that brought this thing into existence, embracing the group of six, or at least the common market countries, as well as the seven? Realizing this is nothing more than just a promotional organization, and that it has no authority to create trade of any kind, but their aim and objectives are going to work out—just the same as the United Nations had objectives; and the charter, if it is going to meet with the approval of those ratifying it now, must see, some way, some chance at least of avoiding widening these barriers of trade between Europe and America?

Mr. RITCHIE: I am sure it will be the hope of all member countries that this organization will lessen the friction between countries in one trade group and another and countries outside.

Senator LAMBERT: It will be more than "friction"; it will be "conflict" they will have to lessen.

Mr. RITCHIE: Well, sir, I know the Europeans take very seriously among themselves this so-called economic division of Europe. One would expect that this organization would provide one place where problems of this kind could be effectively discussed. Of course, there is still the General Agreement on Tariffs and Trade where, obviously, similar problems can be discussed on an even wider basis.

Senator LAMBERT: The bloc of Six would include Great Britain, I suppose, at any time she wants to come in, or is the corporation closed to the extent of not admitting any other countries?

Mr. RITCHIE: The bloc of Six, as you call it, or the Common Market, is based on a treaty, the Treaty of Rome. That does not mean that there cannot be other signatories to the treaty, or that other countries might not adhere in some degree to the arrangements established by the treaty. How likely that is to happen, is very difficult to say. One hears a great deal of speculation on what the United Kingdom is thought by some to be contemplating, or what some other countries might be contemplating with respect to the United Kingdom. But so far as I am aware there can be no basis for any statement on what is likely to happen, except by way of speculation.

Senator LAMBERT: Are we likely to wake up some morning and learn that Great Britain has completed arrangements to become a part of that bloc? Mr. Heath in his statement quoted in the other house indicated a trend in that direction, and other statements have come out of Paris and London to the same effect.

Mr. RITCHIE: All one can say is that it is most unlikely that we would wake up one morning and find that has happened. The United Kingdom

government has, as indicated by statements made by Mr. Fleming in the other house, that the U.K. government has made clear that before any action was taken—not that any action would necessarily be taken—there would be close consultation. Therefore, I do not see any possibility of our waking up some morning to learn that such a thing has happened.

Senator LAMBERT: I agree, I put it rather bluntly when I suggested that we might wake up some morning to learn that it had happened, but from what we hear the course of events seems to be following that trend.

Senator MACDONALD (*Brantford*): As provided by article 3, it has occurred to me that a country would have to consult with other countries before entering into a trading organization.

Senator LAMBERT: That is true. I am thinking now about the European Common Market group itself. This convention is not going to change that group.

Mr. RITCHIE: No, but the existence of this organization would, I think, make it much more likely that there would be close consultation on any plan of this nature that one country or another might have in mind. There is an obligation in article 3, and one would hope and expect that there would be a habit of co-operation and consultation developed in this new organization, which would make it likely, or even certain, that there would be close co-operation on any matter of importance to member countries or to other countries outside the group.

Senator LAMBERT: Would you care to venture an opinion, either off or on the record, as to the influence the United States may have in this situation?

Senator MACDONALD (*Brantford*): Perhaps you would prefer to speak off the record.

(Discussion off the record).

Senator MACDONALD (*Brantford*): We have had a very good explanation of the convention.

The CHAIRMAN: Are there any further questions, honourable senators? If not, I want to say to Mr. Ritchie on behalf of all of us that we are very pleased he came here. We thank you very much, Mr. Ritchie, for your very competent review of the subject matter.

Senator ASELTINE: Are there any other witnesses?

The CHAIRMAN: No, not unless the committee wishes to hear more witnesses.

Is it the wish of the committee to recommend this Convention to the favourable consideration of the Senate?

Some HON. SENATORS: Agreed.

The committee adjourned.





THE SENATE OF CANADA

Senate Standing Committee on External Relations  
4th Session, 24th Parliament, 1961

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OECD

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