

Paris, 28th September, 1950.

Economics Directorate

Or. Engl.

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RECORD OF THE MEETING OF THE ECONOMIC SUB-GROUP OF
WORKING PARTY NO. 6 OF THE EXECUTIVE COMMITTEE

HELD ON THE 27TH SEPTEMBER AT 11 a.m.

The Sub-Group had before them the two preliminary studies on integration made by the Pulp and Paper Committee and the Textiles Committee, PP(50)5 and TE(50)17 respectively. The Chairman of these two Committees were present.

The Chairman of the Sub-Group explained that the purpose of the present meeting was to inquire whether the two Committees, in pursuing their studies, had found any important points that they were unable to cover, due to an insufficiency in their terms of reference, and whether they wished to suggest further examinations to be carried out.

Pulp and Paper

The Chairman of the Pulp and Paper Committee made a short statement presenting the Report, pointing out that Part III of this Report suggested further problems for study. These included an examination of the present shortage of raw materials and how this could effect integration. The Committee had concluded that the present steady trend towards increased consumption should, on the whole, facilitate integration. It had generally been felt that total and immediate integration, particularly in the sphere of paper and paper-board would not be feasible but that a goal of gradual integration should be aimed at. It was unanimously of the opinion that a detailed study of all problems should be embarked upon immediately. Some countries felt that this should precede any decision on integration, while others felt that integration could be embarked upon prior to the completion of a detailed study of the problems involved. It was not considered possible at the moment to give any indication of the time that such studies would take. This would depend, to a large extent, on what mandate was given.

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The Delegate for Germany suggested firstly that the Pulp & Paper industry was in a rather special position in that it envisaged that for many of its products a seller's market would continue for some considerable time. This would in one sense facilitate integration but it would also raise several problems that had not yet been fully discussed in the Working Party's studies, e.g. the question of the availability of raw materials and the principle of equal access of all countries to raw materials in short supply. This problem was likely to arise for many other industries in the future, owing to the present emergency demand.

Secondly, in paragraphs 23 and 25 of PP(50)5, a distinction was drawn between the concept of financing for investment and that of compensation to be given to non-competitive undertakings.

Thirdly, he would like to ask whether the Chairman of the Pulp and Paper Committee considered it possible for Vertical Committees, as was envisaged in the Stikker Plan, to give some indication of the volume of applications for loans for new investments, to give an indication of whether these loans would be adequate for the purposes of modernisation and to judge between the various claims made.

Finally, he pointed out that in paragraphs 40 and 41 the Committee suggested that their sector study would have to be made by detailed sectors of the industry. This might possibly apply to other industries for which sector studies were recommended, and he would like to know whether, in the opinion of the Chairman of the Pulp and Paper Committee, it would be possible eventually to formulate an overall report for the whole industry.

In reply to the third question of the Delegate for Germany, the Chairman of the Pulp and Paper Committee said he assumed that the Vertical Committees would be asked to act in a consultative capacity from a technical point of view and for this they would require a further mandate for the study of many points in the enterprises concerned, e.g. to what extent they are obsolete, whether they should receive aid, whether, in any case, in the event of integration they were likely to survive, etc.

In connection with the first point of the Delegate for Germany, he said that the problem of the availability of raw materials (in the case of the Pulp and Paper industry, timber) had been discussed in the Committee and an Addendum to the present Report would be drafted by the Norwegian and Swedish Delegations. During discussions in the Committee, the specific problem had arisen of Germany,

which as a result of the war had lost its main sources of supply of pulp wood from Eastern Europe, Eastern Germany, the Baltic provinces, etc. If Germany were allowed free access to pulp wood in Norway, Sweden and Finland, the results, in view of the fact that Germany had an import duty which it was contemplating to increase, and that it could offer high prices for purchases which would seriously deplete the forest resources in the supplying countries, would be gravely to the detriment of the industries in those countries and in Western Europe as a whole. Pulp wood in Northern Europe was now very short and several pulp mills had had to close down, e.g. in Sweden, over the last few years production amounting to some 200,000 tons had been lost.

The Delegate for Norway asked whether any figures for the number of pulp and paper workers in various countries could be provided. Paragraph 21 onwards spoke of a possibility of unemployment in these industries and it would be interesting to know what would be the incidence of this on the employment situation as a whole in each country.

The Secretary of the Pulp and Paper Committee said that a comparative table, not yet complete, (DP/PP/50), had been sent to all Delegations.

The Delegate for the United States asked whether the major and secondary suppliers were all in Western Europe or whether there were suppliers outside Europe which would compete if tariffs were reduced, i.e. was a preferential tariff area really necessary?

The Chairman of the Pulp and Paper Committee said that the major pulp suppliers were certainly Western European, i.e. Sweden and Norway. There had been traditionally sporadic imports from the United States but the shortage of pulp in the United States and the dollar shortage in Europe had reduced these imports. Finland supplied, in addition to pulp, important quantities of newsprint and other grades of paper.

Referring to paragraph 6, the Delegate for Sweden asked whether it was envisaged that in making sector studies, the necessity for the integration of basic raw materials to the industry should also be considered.

The Chairman of the Pulp and Paper Committee said that the Committee had always felt that, instead of exhausting raw material

resources; attempts should be made to find substitute raw materials. For example, in the pulp sector, hardwood and straw could be extensively used in the manufacture of both sulphate and sulphite pulp. Scandinavia had already done much pioneer work in this direction, though its extension would require new investments.

The Delegate for Italy asked whether the Committee had worked on the hypothesis that conditions in all other sectors would remain the same or whether it had considered the integration of the pulp and paper industry in a framework of general integration.

The Chairman of the Pulp and Paper Committee said that no assumption had been made as to wider integration but the Report pointed to the fact that integration in different sectors was, to some extent, interdependent. For example, an increase in trade resulting from general integration would result in an increased demand for packing materials.

The Delegate for Austria asked for an explanation of paragraph 19 which mentioned the fall in Scandinavian exports of pulp and paper to the United States but that it was not expected that any further decline in these exports would take place under present conditions.

The Chairman of the Pulp and Paper Committee said that this fall had been due partly to the switch in Scandinavian production from paper pulp to viscose pulp, which was sold to Europe and not to the United States, partly to the fact that the decrease in pulp production has affected only exports to the United States. It was felt, however, that the quantities now exported to the United States were likely to remain stable.

The Delegate for France asked for an explanation of the reference in paragraph 6 to the Austrian Delegation's opinion that guarantees should be provided for the benefit of converting industries in countries which produced raw materials.

The Chairman of the Pulp and Paper Committee said that the Austrian Delegation had taken the view that Austria, while a poor country, had on its borders more wealthy countries with highly developed industries which were short of raw materials. If there were completely free access to the raw materials in Austria which Austria itself required for its pulp and paper industry, these

might be bought by wealthier countries at prices which the Austrian producer could not afford, or alternatively, paper prices would also have to rise.

The Delegate for Austria said that it was possible that his Delegation had simply meant to suggest that, in the case of the integration of a particular industry, a temporary protection, in order to ensure a common start, might be necessary.

In connection with paragraph 20, the Chairman of the Sub-Group said that in preparing the draft mandate some conclusion would have to be arrived at as to a working hypothesis for the Vertical Committees. He felt this might be that internal obligations under GATT or the Havana Charter would be solved. The Working Party would also have to consider whether the point mentioned in Section V (Resources in Overseas Territories) would need to be covered in all sector studies.

Wool

The Chairman of the Textiles Committee said the Committee had first discussed the framework in which the integration of the wool industry should be treated. Some countries had felt that the integration of the industry could only be considered if there were possible compensations from the integration of other industries. Others felt that their countries could be ready to consider integration solely in the framework of the integration of the wool industry itself, and still others had wished for further definition.

Secondly, the Textiles Committee had felt that there were two preliminary essentials:

- (1) equal access to raw materials,
- (2) the modification of internal legislation so as to form a wool union with a certain amount of protection (e.g. against overseas industries such as those in Japan which had been rapidly developing pre-war and which could undersell owing to the lower standard of living.

Thirdly, some countries had felt that the advantages of the integration of the wool industry were self-evident, others that in view of the particular structure of the industry, further study

would be required before it could be decided whether integration would be advantageous or not.

Fourthly, the Committee had discussed whether the differences, e.g. in salaries and subsidies, that existed in various countries could hinder or prevent integration, and had decided that it was difficult to judge of this on present information. It had not yet been agreed as to whether a further study was needed however.

Fifthly, detailed questions from the Chairman of the Executive Committee Working Party No. 6 had been answered in Part IV of the Report.

Finally, the majority of the Delegates had felt that since the structure of, and conditions in, the wool industry in the various countries did not differ very greatly, and since the modernisation required was fairly considerable, a decision on integration could be taken, even prior to further study. Other Delegates who were not so convinced of the usefulness of integration, had reserved their position, while still others had felt that it was not within the Committee's competence to decide this question.

The Delegate for Germany pointed out that the Textiles Committee, as opposed to the Pulp and Paper Committee, had come to the conclusion that one single study covering the whole of the industry could be made. He suggested that a decision on whether a single sector study for each industry, or a study split up for each industry into detailed parts should be made would probably have to be left for the Committees themselves to decide.

The Delegate for France pointed out that the Textiles Committee took as one of its essential principles equal access to raw materials. Could any uniformity of principle in the various sectors be drawn up?

The Chairman thought that this point should be taken up under Section III 6, if it was not possible to cover it in the draft mandate