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Problems of UNRRA

C.R. Harley

The end of the war against Japan has greatly increased the relief responsibilities which must be accepted without delay by the United Nations. On August 11, the United Nations Relief and Rehabilitation Administration announced from Washington that plans were well advanced for prompt shipment of some 800,000 tons of supplies to China as soon as transportation should become available. Those supplies would represent only a beginning in the far larger program of Far Eastern relief activity. In September 1944, the Chinese Government issued an estimate of its total relief program calling for expenditures ocuivalent to nearly 3,500 million United States dollars; as a part of this program, China requested UNRRA to furnish 4 million tons of supplies valued at approximately 950 million dollars. Apart from the ending of the Far Eastern war, domands upon the resources of UNRRA have been enlarged by action of the Council on August 22 authorizing aid to Italy and Austria, and by the apparently unexpected request of Russia for substantial aid from the Relief Administration. On July 26, a Russian request for 700 million dollars worth of assistance was announced, although later roports from the third meeting of the Council, now being held in London, indicate that this request has been reduced to 250 million dollars for aid to White Russia and the Ukraine. It is not unlikely, moreover, that the termination of Lend-Lease assistance, ordered by President Truman last week, will increase demands upon UNRRA for assistance in scheduling and procurement if not for financial aid. Finally, military relief in Europe, outside of Germany, is scheduled for early termination.

Fortunately, however, the end of the war will also case many of the problems which have hampered relief efforts to date. A resolution submitted to the UNRRA Council by the Committee on Supply

on August 16 pointed out that the termination of war with Japan:

"Will result in diminished domand by military authorities for raw materials, food, transport equipment, and other manufactured goods,

Will release much needed productive capacity of supplying countries now engaged in the production of military supplies and make it available for production of civilian goods, and

Will result in war surplus supplies which will be available for civilian consumption."

In view of these considerations, the resolution requested member governments to facilitate a prompt and equitable flow of relief and rehabilitation supplies from current stocks and from new production and to hasten the release of war surplus supplies to meet approved relief and rehabilitation requirements.

The most urgent problem facing UNRRA at the present time is provision of internal transportation facilities for dovastated areas. With railroads destroyed in many areas and water transport disrupted by fallen bridges and clogged ports and channels, inland transportation can be most rapidly rohabilitated by provision of thousands of trucks. Not only must imported supplies be moved inland, but food and other goods must be moved promptly from areas of production to areas of consumption or to storage facilities. UNRRA reports, for example, that 100,000 tons of corn rotted in the fields of Vojvodina, Yugoslavia, in 1944 because of lack of transport facilities to areas where people were starving. While V-E Day permitted the purchase of a few thousand army vehicles for relief purposes, procurement of surplus army trucks has reportedly been disappointing to date. With the end of the war in all theatres, UNRRA hopes that declarations of surplus will be materially speeded up. Acting Director General Roy F. Hendrickson states that 25,000 trucks are urgently needed. That figure may be seen in proper perspective if one realizes that France alone reports a wartime decline of 300,000 trucks destroyed or worn out.

The second most pressing problem for UNRRA involves the procurement, in the face of world-wide shortages, of substantial supplies of coal, meat, dairy products, fats and oils, sugar, textiles, and other products. The Relief /dministration has no authority to requisition supplies or even to bid competitively for its requirements. Its requests for foodstuffs, raw materials, transport equipment, ocean shipping, and other requirements are doubly screened, first by the Combined Boards and secondly by the domestic agencies of the supplying countries. Director General Horbert H. Lehman has disclosed in recent statements some instances of the discouraging conditions which his Administration faces. Speaking by radio from New York on July 3, Mr. Lohman mentioned the following facts:

Out of 725 million pounds of meat requested as minimum requirements for Europe for the last helf of 1945, UNRRA had received 44 million pounds. Of this amount, 30 million pounds came from Canada; the United States promised 200 million pounds, but delivered only 14 million before the ellocation was cancelled;

235 million pounds of canned fish were requested for the year ending June 30, 1946. Only 59 million pounds had been granted;

No whole milk powder or dried eggs had been granted to UNRRA; of 12,500 tens of evaporated milk requested, less than one-half was granted; of 11,000 tens of condensed milk asked for, 1,134 tens were granted;

At the time of Mr. Lehman's speech, no edible fats had been allocated for the last six months of 1945.

In an address to the UNRRA Council on August 8, Mr. Lehman stated: "Over and over again requests for exceedingly modest proportions made to the supply authorities have not been complied with. Over and over again, commitments seemingly firm have disappeared when the moment for delivery came."

As long as the war against Japan continued, the plea of military necessity tended to suppress objections of those who felt most keenly that more vigorous efforts should be made to hasten the rehabilitation of our European allies or, at least, to lessen their suffering. Even now one hositates to criticize too quickly what appears to be continuing indifference to the plight of large areas of Europe and the Far East. It is possible that stockpiles now held by the armed services and by the Foreign Economic Administration contain adequate relief supplies which will be released in time to ease the suffering foreseen for the coming winter. But if these are the facts, cortainly UNRRA should be aware of them. If adequate supplies have not been provided, then the recent removel of cannod goods from the rationing program and the proposed cessation of meat rationing must be viewed with concern. On the other hand, the proposed shipment of 8 million tons of United States coal to Europe by the end of the year offers a more encouraging picture of our willingness to help mitigate ar extremely serious shortage.

If supplies are provided in amounts approaching estimated needs, UNRRA will soon face a third major problem—that of securing additional financial backing from the member governments. According to the Director General, expenditures by the end of this calendar year (including an undisclosed amount of procurement for shipment in 1946) should total 1,644 million dollars. This, he said, would leave only some 175 million dollars available for later needs. Mr. Lehman estimated that on a highly conservative basis at least 1,500 million dollars of additional resources would be required; his estimate made no allowance for the recent Russian request for assistance nor, presumably, for financial aid from UNRRA to Italy and Austria, which had not been approved by the Council at the time of Mr. Lehman's remarks.

Since some 72 per cent of the total available or anticipated resources of UNRRA are represented by the United States pledge of 1,350 million dollars, it may be assumed that this country will be asked for substantial additional funds for continued operation of the Relief Administration. Unloss Mr. Lohman's estimate of future needs can be pared down considerably, a second United States contribution of not loss than a billion dollars is indicated. 1/ While it is not likely that further assistance will be donied, it is certain that strong opposition to additional commitments will arise in Congress. From the point of view of Congressional psychology, it may be unfortunate that 550 million dollars of this country's original pledge has yet to be appropriated; any request for additional funds will therefore have to follow closely upon the hools of the belated appropriation of an emount proviously pledged. Congressional and public criticism of UNERA has increased in recent months. The Joint Congressional Economy Committee, under the chairmanship of Sonator Byrd, hold brief hearings on the activities of the relief agency and appointed a sub-committee of four members to investigate its operations in Europe. Press reports indicated a critical attitude on the part of the Committee, particularly with reference to what was doomed the disproportionate share of the United States in the total financial burden. Concentration of UNRRA financial aid in the Soviet-dominated area of Europe has received unfavorable comment. Disclosure at the London meeting of inadequate accounting procedures on the part of the Relief Administration will provide ammunition for critics of UNRRA.

It appears from the scattered data released by the Relief Administration that its record of accomplishment to date is better than its publicity would indicate. Only in recent months, however, have its supply operations (as distinct from its work with displaced persons and its contributions in the fields of medical service and epidemic control) reached significant proportions. From the beginning of operations through June of this your, the landed cost of UNRRA supplios shipped oversees was less than 300 million dollars, a figure which includes an estimated 88 million dollars worth of supplies purchased abroad from the armed forces. For the last six months of this year, deliveries are schoduled for goods valued at more than I billion dollars landed cost. The total volume of supplies may be of less importance, however, than the precision with which relief is matched with the most urgent needs. UNRRA provides the only organization prepared to evaluate on an international scale the conflicting claims of devastated areas in Europe and Asia. Many experts have testified that the coming winter in Europe may be the grimmest in modern history. President Truman has stated that this country will be looked to as the principal source of civilian supplies and that the established policy of this Government is to accopt the responsibility involved as far as it is possible to do so.

^{1/} The New York Times of August 25 reports that the UNRRA Council has voted unanimously to request a further one per cent of the national income of contributing countries, or approximately 1,320 million dellars from the United States.

Toni Giese

One of the most disruptive factors in the Philippine economy since the invasion of the Islands by the Japanese at the end of 1941 and the establishment of Japanese Puppet Administration controls has been the extent of inflation experienced there. The Philippine peso in pre-war days was pegged to the United States dollar by the Currency Law of 1903 at a rate of two pesos to one dollar. Its stability was assured both by the Treasury Certificate Fund, which was required to maintain a 100 per cent reserve in metal or United States dollar deposits against the value of Treasury Certificates and coins in circulation, and by the Exchange Standard Fund legislation, which specified that a minimum of 15 per cent of all government notes and coins be kept in the Fund, either on deposit in the United States or in the Commonwealth Treasury.

At the time of the impending Japanese invasion, between December 7 and the end of 1941, individuals were encouraged to make deposits with their banks, and the banks in turn to make deposits with agents of the United States High Commissioner of the Philippines for transfer to the United States; notes to the value of those deposits were subsequently destroyed in order to prevent their falling into the hands of the invadors. Over two and one-half million pesos were thus deposited and removed from circulation. Other measures taken to provent currency from falling into the hands of the Japanese included dumping 17,500,000 pesos in silver coins into Manila Bay, movement of large sums to Corrogidor and shipment of both gold and currency to the United States. Accurate records could not be kept at the time, but it has been estimated that currency in circulation declined from 250 million posos in December 1941 to 200 million posos at the time of occupation. A reserve of 271,060,709 pesos, hold on deposit in the United States, has been maintained against this total.

When the Japanese entered, they immediately closed all banks and circulated war notes called "apa." By September 1943, the value of this currency was known to be 300 million pesos, but reports show that it did not find ready acceptance. By proclamation of January 10, 1942, the existing pose currency was declared legal tender and use of all foreign currencies, including you paper money, was prohibited. United States dollars were accepted until February 6, when their carculation was also prohibited. Depreciation of the pose was furthered by the issue of unknown amounts of additional Treasury Certificates under authorization of the Japanese, and by the reissue of 40 million pesos of Philippine Bunk notes which had been placed in the veults of a bank at Itoilo after their redemption. The Southern Development Bank, the banking institution of the Japanese armed forces, performed the function of note issue after the middle of 1942, but how much currency was printed is not known. In addition to the issues authorized by the Japanese, an estimated 102 million posos of guerilla currency was printed, 43 million in Pancy, 32 million in Negros 22 million in Mindanao, 4 million in Bohol, and small amounts in Jolo and Palawan. Both the Philippine Government in Exile and United States Army authorities specifically authorized emergency issues of this type, but it is not yet clear to what extent unauthorized notes may also have boon distributed.

With this varied and enormous supply of currency in circulation, it is not surprising that the value of the peso declined. Prices rose rapidly and during the last months of the Japanese occupation were estimated to be 100 times their pre-war levels. Although ceiling prices were set as a counter-inflationary measure, they were relatively ineffective and had to be lifted time after time.

At the end of almost three years of occupation, the liberating forces of General MacArthur began to free the cities of the Philippine Commonwealth from the grip of enemy control. On November 18, 1944, the new President, Sergio Osmena, ordered all barks closed and all existing accounts blocked. A debt moratorium was ordered until such time as circumstances surrounding all debts could be investigated. "Victory Posos," a new series of Philippine Treasury Certificates authorized for circulation on November 18, were declared legal tender at the pro-war rate of two poses to one dollar. Emergency Currency Committees were established to investigate, study, and report on the bona-fide emergency currencies issued by duly authorized authorities. The Executive Order outlawed all Japanese currency, Philippine National Bank notes, motes of the Bank of the Philippine Islands, New Central Bank notes (all institutions operating under Japanese domination) and unauthorized emergency currencies. In an effort to wood out Treasury Certificates issued under authorization of the Japanese, registration of all outstanding Treasury Cortificates was required, and those issued after January 1942 were not accepted as legal tender. Redemption of emergency and guerilla currency is in progress, but cannot be completed until the local Currency Boards have decided which currency is legal and which is not. Redemption of the outstanding emergency currency will be financed in part by the Philippine Government and in part by the United States. The United States Army proposed to make a liberal estimate of the amounts spent for military purposes (perhaps 60 per cont of the total) and to pay that amount to the Philippine Government for use in redemption of guarilla notes. The Commonwealth Government is expected to finance redemption of the remainder. Since, under existing monetary legislation, the Government's reserves may not be adequate for the redomption operation, some uncertainty exists as to the procedure which will be followed. Due to this uncertainty and subsequent delay, and to the expectation that certain types of emergency notes will not be redeemed, the value of the guerilla currency has depreciated from 70 to 90 per cont and is not being accepted for payment in many parts of the Islands. By authorizing provincial treasuries to receive guerilla currency in payment of 1945 taxes, the Government hopes to increase the acceptability of the notes. Japanese currency is still being used in areas where Philippine control is inadequate.

Price inflation is in evidence almost everywhere. Damages resulting from the occupation and liberation, expenditures of the American liberating forces, widespread black market activity, and transportation difficulties, together with the excessive supply of circulating money, have resulted in a decline of the purchasing

power of the peso, pegged at 50 cents, to 7 cents. It is believed that this situation will be remedied by increased shipments of consumer goods from the United States, increased domestic production, and domestic reconstruction activities. Consumer goods shipped from the United States and distributed by the eight Emergency Control Administration Units at ceiling prices have helped to lower prices and to curtail black market activities. Transportation has been slightly improved by delivery of 137 one and a half ten Army trucks with the result that black market rates previously charged by truck drivers have decreased considerably. Varied price levels in the different provinces have been brought closer to a common level as the result of increased local production and better transportation facilities.

The cost of household needs in Manila in June were approximassely 686 per cent greater than before the war (disregarding goods sold at pro-war prices by the Philippine Civil Affairs Units and the Emergency Control Administration stores). The Emergency Control Administration which took the place of the eight Philippine Civil Affairs Units was superseded on August 15 by the Foreign Economic Administration in the distribution of food and consumor goods and the control of black market operations. This agency expects to ship 60,000 tons of consumer goods por month, which will be of substantial aid in the control of inflation. Because of the increasing availability of supplies in the United States, it is hoped that private oxporters and importers will begin to supplement FEA aid by September 1. The War Shipping Administration has provided for about 30,000 tons of shipping space to be made available for this purpose. In general, it appears that the Commonwealth is well on its way toward rostablishment of its pre-war economy.

Russia and an International Trade ()rganization

Alexander Gerschenkron

In the course of the year 194, the question of a multilateral trade convention and a permanent international organization on commercial policy was prominent in public discussions in this country. Subsequently, the subject receded into the background. It is likely, however, that Mr. Clayton's present negotiations in London will revive general interest in the various aspects of the problem. 1/ Not the least important of those refers to the method of incorporating Russia, with her peculiar foreign trade system, into an international trade organization. During last year's discussions, a number of tentative solutions were advanced. However, time has not stood still in the interval. A zone of Russian political supremacy has been created in the East of Europe, and indications are that the international economic relations of the countries situated in that part of the world will not remain unaffected; some parts of the Asiatic Continent may before long find themselves in a similar situation. The question arises whether these developments call for fundamental reconsideration of the problem of international commercial policy with rogard to Russia; or whether it is still possible to take up the thread where it was dropped a year ago.

It has been regarded as the general purpose of a multilateral convention to secure a freely growing volume of multilateral international trade on a non-discriminatory basis. Equality of trading opportunity for Russia could be achieved (1) by extending to Russia the most-favored-nation treatment so that she would benefit from such reductions of tariffs as were agreed upon; (2) by proscribing quotas and exchange control as instruments of commercial policy; and (3) by supplementing (1) and (2) by a program designed to curb restrictive cartel practices in the field of international trade. The crux of the problem is to create safeguards against discriminating practices on the part of the Russian foreign trade monopoly. It is generally agreed that the most-favored-nation treatment is of little, if any, value when granted by Russia. For it is not the Russian customs tariffs but the actual buying and selling by the monopoly that carries the danger of discrimination.

Essentially three proposals were considered in the earlier discussions:

- a) Russia would simply agree to conduct her trade in accordance with commercial rather than political principles;
- b) In addition to the undertaking just cited, Russia would also agree annually to a certain minimum amount of total imports—the so-called global quota;

c) Russia would agree to a periodical multilateral allocation of her imports among the members of the international convention. 1/

None of those proposals was fully satisfactory. The first proposal suffers from the fact that it is perfectly compatible with policies of monopolistic exploitation in accordance with commercial considerations. Moreover, if not supplemented by other devices, it would place such a high emphasis on good faith as almost to invite evasions.

The idea of the global quota obviously has nothing to do with the question of Russian discrimination among individual countries. Its main purpose is to force Russia away from autarchic policies; and it seems very doubtful that such a fundamental change in policy could bo achieved by juridical stipulations. Finally, both the first and second proposals are likely to lead in practice to bilateral undertakings by Russia to purchase specified values over specified periods. Such arrangements might result in a considerable deterioration of the multilateral pattern of world trade and as such be at variance with the fundamental purposes of the convention. The third proposal, indeed, is consistent with the idea of multilateral trade, and additional devices could also be employed to limit the possibilities of monopolistic exploitation on the part of the Russian monopoly. Its weakness, however, lies in the fact that a multilateral allocation of quotas might require such an inordinate amount of bargaining as to prove impossible of exocution.

Nevertheless, there was a rather widespread feeling that the discussion had clarified the problem and that, under favorable general cenditions and given a sufficient amount of good will on the part of all concerned, reasonably non-discriminatory multilateral trade with Russia could be organized on the basis of the elements contained in those proposals. Yet nowhere in the public discussions of the question was the contingency considered that a number of countries in the postwar world might shape their economic policies in coordination with the Russian foreign trade monopoly. In other words, the question of a possible economic integration of individual countries into the Russian economy was not touched upon.

It should be clear that the mere fact of an increase of trade between Russia and Eastern Europe does not necessarily affect our problem. Such an increase of trade is very likely to take place even without any integrating policies on the part of Russia. The amount of that trade in the inter-war period was unduly low on account of political obstacles. Disappearance of the latter is bound to increase the volume of trade under any circumstances. Moreover, Russia's industrialization has enhanced the complementary character of the respective economies. This will become more and more important as Russia's reconstruction nears completion. Finally, in the case of Rumania, Hungary, and Finland, six years of reparation deliveries are likely to result in permanent structural shifts. As reparations end, exports

^{1/} Cf., e.g., the studies of the Committee on International Economic Policy: World Trade and Employment; Percy W. Bidwell, A Commercial Policy for the United Nations; Alexander Gerschenkron, Economic Relations with the U.S.S.R.

of these countries to Russia may remain high while their imports from Russia may increase.

All this would happen even if the foreign trade of Eastern European countries were to remain free from state control and Russia were to refrain from influencing the economic policies of the respective governments. However, at least at present, it seems that the Russian concept of "friendly governments" in Eastern Europe implies such influence. This indeed may constitute a new problem from the point of view of a multilateral trade convention. The possible forms and techniques of Russian ascendancy over the foreign trade of Eastern European countries can, of course, be manifold.

One possible development is creation in Eastern Europe of state trading monopolies constructed upon the Russian pattern. This in itself would complicate the problem. Previous discussions of a multilateral trade convention proceeded on the assumption of Russia's unique position as a state trading country. In the meantime, there have been indications that Czechoslovakia and Yugoslavia comtemplate establishment of government foreign trade monopolies, and quite recently the Finance Minister of Poland bluntly announced that Polish foreign trade will be conducted through a state monopoly. If the original assumption is to be relaxed or dropped, the proposals mentioned previously still could be applied, but their execution would be rendered a good deal more complicated, as a result of the larger extent of supervision needed and of the amount of bargaining involved. This, of course, refers not only to state trading monopolics in Eastern Europe but in any other prospective member of the Multilateral Trade Convention. The larger the sphere of state trading, the more difficult it will be to arrive at a general framework of agreement such as is contemplated for the convention. This is a quantitative rather than a qualitative difference. A further problem will be created if the new state trading monopolies undertake to coordinate their buying and selling activities with those of the Russian foreign trade monopoly. Since real commercial advantages might be derived from such a policy, the "commercial principles" clause does not preclude such coordinating policies. In other words, the possibility of such arrangements prima facio strengthens the position of those who have believed that the "clause" alone would be an insufficient method of regulation. A multilateral allocation of imports of all countries that have state foreign trade monopolies seems more important than it did when Russia alone was supposed to have a comprehensive foreign trade monopoly. But it should be clear that the coordinated policies would, of course, be reflected in the bargaining for allocation of individual countries' import quotas. Multilateral bargaining may still restrict the monopolies, but it will be able to do so only to a certain dogree. At the same time, while a multilateral allocation becomes more important than before, the practical difficulty of reaching an agreement is very substantially increased. The area of Russian influence in Eastern Europe is not yet clearly defined. Neither the ultimate position of Germany nor that of the Scandinavian countries with regard to Russia can be foreseen at present. But even if those regions are excluded, it should be noted that before the war more than a quarter of Europe's population (outside Russia) lived in what appears now to be the Russian zone of influence and that this area accounted for about one-eighth of Europe's total trado. Thus an appreciable proportion of world trade is affected.

Outright state trading monopolies established in countries in the Russian sphere of influence are perhaps not so damaging to the cause of international trade organization as other less patent devices that may be used in countries where foreign trade may remain ostensibly free. Unfortunately, such scanty information as has penetrated the "iron curtain" suggests that Russia may employ economic instruments in Eastern Europe which would render ineffective any of the proposals so far suggested. It appears not unlikely, for instance, that Russia will be able to secure a considerable amount of what may be called direct investment in Eastern Europe. This investment policy probably will be peculiar in that strong Russian participation in the management of the various semi-governmental enterprises in the countries concerned is likely to be coupled with a moderate Russian financial contribution to those enterprises, at least until the reconstruction of Russia has been completed. Last May, Rumanian papers reported the conclusion of a collaboration agreement with Russia, providing for mixed Russo-Rumanian companies in important fields of the Rumanian economy. 1/ By various means, enterprises in which the Russians participate may acquire privileged, if not monopolistic, positions within the respective industries. From these strategic positions, the Russians may be able to direct a considerable amount of foreign trade with third countries so as to coordinate the sales and purchases of these enterprises with the policies of the Russian foreign trade monopoly. This refers to both trade within the area and trade with third countries. The substantive outcome may be the same, or nearly the same, as in the case of an outright foreign trade monopoly in an Eastern European country, but the covert method of penetration would, of course, make a multilateral allocation of imports impracticable. Prime facio the same is true of the "commercial principles" clause at least in the form that has been developed by the reciprocal trade agreements of the United States.

What then could be done in order to deprive those policies of the sting of discrimination? The answer that can be given at the mement is unsatisfactory. The present writer believes that there is no magical formula to achieve this end. The existence of a Russian sphere of economic influence tends to move us further away from the general framework agreements which were peculiar to the 19th century trading system. This must be frankly admitted. Does this mean that there is no way of securing Russia's cooperation in a multilateral convention? Not necessarily.

One way would be to acquiesce in the fiction of the full economic independence of the countries in question and recognize that the sphere of potential discrimination in connection with Russia's foreign trade will be wider than has been previously assumed. To the extent that new state trading monopolies spring up, it would seem worthwhile to attempt a multilateral allocation of imports even though the application of the device would be admittedly more arduous. Moreover, the "commercial principles" clause could and should be incorporated into the convention. It could then be left to the efforts of

I/ F.C.C. Daily Report, Fl4, Murch 25, 1945.

an international trade organization as a permanent body to use the method of representations and supplementary negotiations in order to remedy concrete cases of discrimination that may arise from the policies of government trade monopolies and such organizations as the Russo-Rumanian mixed companies, referred to above. With respect to the latter, it might also be considered whether the "commercial principles" clause could not be re-phrased so as to apply to the participations of the state trading monopolies in foreign corporations and organizations. On the whole, given good will of the parties concerned, such a policy might not be an entirely hopeless enterprise.

It should be noted, however, that as far as the direct trade between Russia and Eastern Europe is concerned, the Russians may be relied upon to insist on a certain amount of open preferential treatment. This was the established Russian policy with respect to the Baltic countries and the adjacent countries in Asia. It would be surprising if the Russians were not to expand this policy to all countries in the Russian zone of influence.

However, should the Russian, together with the Eastern European, trade with third countries become a source of large discrimination in world trade, the conviction might grow that the international trade organization is unable to cope with the problem. The point might be reached where other countries, including the United States, might be driven to form some sort of governmental organization for their foreign trade. In fact, the very threat of such a development may materially aid an international trade organization in its efforts to deal with individual cases of discrimination by the already existing state trading menopolies.