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PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

COMMITTEE I

SUMMARY RECORD OF MEETINGS

Second Meeting (Part Two)
Held on Monday, 21 October 1946 at 3 p.m.

Chairman: Mr. WUNSZ KING (China)

Continuation of the Discussion on Item I of the
Provisional Agenda, Sub-paragraphs (a) and (b)

Mr. FRESQUET (Cuba) said that his Delegation was primarily interested that members of the proposed ITO should be obliged to take every action against conditions detrimental to work-people, and towards raising their standard of living. Sweated labour conditions would seriously threaten the ultimate purpose of the Organization. They tended to attract foreign investors who were not so much interested in improving the workers conditions as in profits. Goods produced under these circumstances would undersell in the world market those produced in countries with better workers' conditions and would ultimately have a detrimental effect on those conditions.

The CHAIRMAN and the SECRETARY pointed out that one of the functions of the International Labour Office was to eliminate the type of competition which resulted from different national social security legislation and to establish similar social security measures in member countries. The point raised by the Cuban Delegate was therefore covered by the activities of this organization. The Cuban Delegate, however, wished to reserve his right to raise this question again.

Mr. DEUTSCH (Canada) said that both full employment and the reduction of trade barriers were essential to a rising standard of living throughout the world, and effective international machinery should be set up for this purpose. The reduction of trade barriers would provide those

countries which depended heavily upon primary production, specialised industrial production, or the production of relatively few commodities, with wider opportunities of an international market. Conditional on the acceptance of these two obligations, safeguards might have to be devised against the event of a country failing to fulfil its obligations. Certain safeguards had already been provided in the Charter of the International Monetary Fund and there were others in the United States suggested Charter.

The Australian Delegate's suggestion regarding the full use of international resources might require some flexibility in favour of countries building up monetary reserves, or subject to temporary inflow of capital.

His Delegation particularly feared unilateral action, and wished to make sure that international machinery would be used fully before any unilateral sanctions or let-outs were resorted to.

Mr. MEADE (United Kingdom) said that his Government was committed to maintaining full employment - by which he meant "a high and stable level of demand for goods and services in general" - and would accept any international commitment to this effect.

The United Kingdom was in a very special and peculiar position. Though a great depression within its borders would adversely affect many other countries, the United Kingdom was itself a "dependent economy" and would, therefore, be very vulnerable to a world depression.

To provide against the possibility of an international policy of full employment not being completely successful, certain safeguards would be necessary. As the Canadian Delegate had indicated, some such safeguards already existed. For example :

1. control of capital transfers,
2. fixation of rates of exchange under the International Monetary Fund subject to a country's right to depreciate its currency in the case of a fundamental disequilibrium,

3. restrictions to restore equilibrium in the balance of payments as provided in the United States suggested Charter,
4. scarce currency clause of the articles of Agreement of the International Monetary Fund to which reference is also made in the United States suggested Charter.

The additional safeguards suggested by the Australian Delegate should be carefully considered. Attention should also be paid to these elements of international action directly aimed at full employment and in this connection the following possible measures might be examined:

1. positive action in commodity policy to stabilize the demand for primary products,
2. possibility of anticyclical timing of international arrangements for economic development,
3. international synchronization of internal credit policies,
4. use of international resources to enable countries adversely affected by depressions elsewhere to maintain their demand for foreign goods and services.

Mr. MAUDE (South Africa) said that in South Africa the gold-mining industry had tended to stabilize general economic conditions and to soften the impact of cyclical fluctuations elsewhere. His Government believed however that the reduction of trade barriers would not automatically increase international demand for goods and services unless a high level of purchasing power were maintained. His Delegation would probably agree that a country affected by the persistent failure of another to maintain its level of employment should have the right to bring its situation to the attention of the proposed ITO for full consideration. In his opinion it was undesirable to prescribe precise

retaliatory measures. The Charter of the proposed ITO should contain only a statement of the principle.

Mr. COLBAF (Norway) accepted in principle the whole of Chapter III of the United States suggested Charter, and considered that the Australian suggestions merited serious study. The maintenance of full employment and the removal of trade restrictions were in his opinion two sides of the same problem.

Mr. NEHRU (India) referring to the Australian suggestions, declared that the obligation of countries with undeveloped economies to develop their resources could only be fulfilled by instruments such as developmental tariffs and quantitative controls, and by adequate safeguards. India was wedded to economic planning as opposed to free enterprise. He desired a clearer understanding of the term "exporting unemployment" which the Australian Delegate had used. The creation of temporary unemployment was unavoidable in economic progress, though the ultimate result was greater employment. A developing country was thus likely to cause immediate unemployment in other countries in the industries it was developing. Nevertheless, if the industries or services for development were properly selected, no real unemployment should result. Developed countries should be obliged to make reasonable adjustments in their own industries.

Effective demand could be maintained by a balance between manpower and resources, and this balance was the real world problem. Over-populated countries could only develop their resources if immigration barriers were reduced and they were allowed to export some of their population.

Mr. JOHNSON (New Zealand) was in general agreement with the Australian suggestions. In the industrial nations it was necessary to produce an effective demand for primary products, and in the primary

producing countries to produce a demand for industrial products. Funds realized by exports should be utilized to import from customer countries. As the type of international consultation in the case of failure to fulfil obligations might be lengthy, an aggrieved country should have power to take action to safeguard its position, subject to informing the international body.

Mr. PIERSON (United States) emphasized the strong affirmative position on employment taken by the United States, and the need to integrate and balance progress made in employment, trade and the development of relatively undeveloped countries. His Delegation would recommend that each member should be obliged to take action designed to achieve and maintain full employment within its own jurisdiction through measures appropriate to its political and economic institutions. The Employment Act of 1946 established the policy of promoting maximum employment, production and purchasing power. A small Council of Economic Advisers assisted the President, who was bound to report to Congress each year on progress. A Joint Committee of the two houses of Congress considered his recommendations and reported back to Congress.

Article 5 of the United States suggested Charter recommended a commitment designed to avoid the use by one country of policies which might interfere with the employment policy of another; or with the expansion of trade.

With regard to the question of safeguards against a country's failure to fulfil its obligations he drew attention to several articles of the United States suggested Charter. Articles 20 and 22 adequately covered damage that might be incurred by a country through failure of effective demand. Provision was also made in Articles 18, 20, 25, 29 and 30 for recourse against detrimental types of employment measures. In any case the suggested Charter permitted

a country to consult the proposed ITO on any relevant matter.

Consideration of Sub-Paragraphs (c) and (d). Consultation and Exchange of Information, and Assignment of Functions.

Dr. COOMBS (Australia) believed that there was considerable agreement in the Committee regarding (c). The critical question was the type of organization which would carry out the functions under (d). According to his understanding the Economic and Social Council and its Commissions were limited to investigation, report and possibly recommendation, and the co-ordination of the work of the various specialized agencies. He was interested in the four suggestions for international action put forward by the United Kingdom Delegate, and hoped that the Economic and Social Council would consider them.

His Delegation, however, did not agree that questions relating to employment undertakings should be referred to the Economic and Social Council, as the Council's functions were not suited to executive action. It preferred to place this responsibility on the International Trade Organization. This body should be the judge of whether a complaining country could justly be relieved of any of its observations or have them modified; also, whether the modification should be extended to other countries.

With regard to sub-paragraph (c), Mr. MEADE (United Kingdom) considered that exchange of information about domestic employment policies between countries would have great value.

Regarding sub-paragraph (d), he thought it would be best to determine the nature of the functions to be assigned before assigning them. The co-ordination of the activities of the various specialized agencies was a proper function of the Economic and Social Council. If the Committee decided that a let-out should be available to a country injured by the failure of another, it would have to strike a careful balance between the functions of the International Trade

Organization and those of the Economic and Social Council. In his opinion, the Council should have the duty of determining generally whether a serious failure had occurred, and whether it was causing trouble to other countries which could not be met by other means, and therefore whether there was a case for exemption. The International Trade Organization, however, must define precisely the details, form and scope of the let-out.

Appointment of a Sub-Committee to consider Item 1 of the Agenda

The general debate on item 1 having been concluded, the CHAIRMAN proposed the appointment of a Sub-Committee to work out a detailed agenda including all the proposals hitherto raised in connection with this item, and to prepare a synopsis of these proposals. He assured delegates that there would be no bar to further discussion or proposal.

Delegates of the following countries were appointed to this Sub-Committee: Australia, Brazil, Cuba, India, the United Kingdom and the United States. The Chairman would act as Chairman of the Sub-Committee.

Consideration of correspondence from the International Chamber of Commerce and the World Federation of Trade Unions

The Secretary drew attention to letters received from the International Chamber of Commerce and the World Federation of Trade Unions requesting representation at the Committee's meetings, and to Rule 46 of the Preparatory Committee's Rules of Procedure which was relevant to this question. The Committee decided to request these organizations to submit any suggestions which they wished to make in writing. A decision on the best method of arranging consultation would be made when these suggestions had been received.

The Committee rose at 5.5 p.m.

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