FIRST COMMITTEE: EMPLOYMENT AND ECONOMIC ACTIVITY

SUMMARY RECORD OF THE THIRD MEETING

Held at the Capitolio, Havana, Cuba on Tuesday 2 December 1947 at 4.00 p.m.

Chairman: Mr. DEDMAN (Australia)

GENERAL DISCUSSION ON CHAPTER II OF THE DRAFT CHARTER

Mr. PIERSON (United States of America) pointed out that for some years many countries had recognized the importance of maintaining full employment, not only as a question of domestic policy but because of its effect on foreign trade and on the well-being of other countries.

To Australia should go a large share of the credit for advocating the desirability of full employment in international discussions on trade. The United States Government had taken, and would continue to take, an affirmative position with regard to that question. It had been included among the proposals for the expansion of trade, issued by the United States in 1945, and had formed part of the draft charter submitted by them to the Preparatory Committee in September 1946. The United States had also enacted domestic legislation on the question in the form of the Employment Act of 1946.

It could be agreed that in general the means to full employment were primarily a domestic concern, but that they should be consistent with the other provisions of the Charter including those relating to the reduction of trade barriers.

In London, the Australian and United Kingdom delegations had been instrumental in having included in Chapter II the concept of co-operation in the removal of maladjustments within the balance of payments.

A second substantial addition to the original draft appeared as Article 7, in which by reference to other provisions of the Charter, the need of countries to safeguard their economies against deflationary pressure was recognized.

A third substantial addition concerning fair labour standards, was made during the London and Geneva meetings at the suggestion of the Cuban representative. It was clear that ILO should not duplicate the work of ILO, but that members should take whatever action was feasible to remove /substandard.
substandard conditions and should, if they were members of ILO, co-operate fully with it.

In Geneva, at the suggestion of the French and the Netherlands delegations, a new paragraph was added to Article 6 to provide that ITO, as well as the Economic and Social Council could take the initiative when consultation was necessary.

As the Preparatory Committee had accepted Chapter II unanimously and without reservation, Mr. PIERSON felt that there was every chance that this committee would conclude its work rapidly and successfully.

Mr. COOMBS (Australia) emphasized that his country attached the greatest importance to the provisions of Chapter II and regarded these provisions as closely linked with the commercial policy obligations of the Charter. Every country was dependent upon the economic conditions which existed in other countries and none could ignore a situation where one of the major industrialized countries was suffering from unemployment.

Countries like the United States had a great responsibility towards the rest of the world and in Mr. Coombs' opinion, its economy was at present in an essentially unstable condition. Its level of employment was high but based on the following unstable factors: an abnormally high level of construction, temporarily high production for stock an excessive export surplus and an attitude of mind on the part of the United States consumer which caused him to spend more of his current income than ever before. Of necessity, people in other parts of the world, wondered how long those conditions would persist and worried about the future.

He had made the preceding comment to emphasize the fact that preparations should be made now against such a decline. The acceptance of that principle which was embodied in the Charter, could not lightly be ignored, but both intelligence and courage would be needed to carry it into effect.

The maladjustment of balance of payments was another outstanding feature of the period. It was true that the United States recognized that fact and was helping generously through the Marshall Plan and other assistance. The world, however, could not be sustained by short term gifts and ultimately some measures would have to be taken to establish equilibrium between the United States and other countries. That could be done through a high volume of purchases and through long term investments.

Another point of vital importance in the Charter was Article 7. In the case of a serious depression in one of the major industrialized countries Australia felt that she would have full right to take precautions to safeguard her economy. Australia had always maintained that the obligations...
set forth in Chapter IV would only be acceptable and possible if world economic conditions were to be reasonably stable. If a major industrialized country failed to maintain employment or to utilize available current earnings of foreign exchange, crises would result and it would be impossible for others to fulfil the obligations concerning commercial policy.

In London, attention had been given to the kinds of international action which could be taken to alleviate a world-wide economic decline and suggestions had been sent to the Economic and Social Council for study by one of its subsidiary bodies. No report had been received from the Council and he proposed that its attention again be drawn to the urgency of the question and to the desirability of having at least a preliminary report.

Mr. MARCELLETTI (Italy) could not help feeling that the Preparatory Committee had concentrated its attention too exclusively on trade expansion for that was not the only or the decisive factor which had to be taken into consideration. The equilibrium of any economy was dependent upon a just ratio between capital resources and labour, without which it would be impossible to ensure a free flow of goods and commodities.

A country with surplus manpower and insufficient resources could only maintain a stable economy by encouraging emigration, by increasing investments, or by establishing trade restrictions.

At the present time, Italy had a population of 46 millions on a territory which could only maintain between 38 and 40 millions with an adequate standard of living.

It might not be practicable to devise a solution to that problem now, but the Conference should emphasize the fact that such a solution was one of its aims.

Mr. DATSON (New Zealand), pointed out that in underdeveloped countries a rise in the level of demand would result in a rise in production, but that in the more developed regions the index numbers of production would only vary a few points over the long term and that even in the most developed countries the standard of living was not as high as it could be. In many cases the only effective way of raising the level of demand, was through a more equitable distribution of wealth and income.

The Charter aimed at full employment and that employment had to be on productive work which would warrant a fair share of the national income. The ITO had to work towards more equal standards of labour if it wished to be effective in achieving world prosperity.

Each member of ITO should submit its government's proposals concerning full employment, etc., in addition, to the exchange of information provided for in Article 6. Emphasis should be laid on the urgent need for that information and a date should be set for its submission.

/Mr. Datson
Mr. Datson expressed the view that the use of trade devices should be judged by their results. Only in cases where the application of quantitative restrictions had effects contrary to the objectives of the Charter should a Member be penalized for using them.

Mr. ROYER (France) drew attention to the fact that as the preliminary discussions in London, Geneva and New York continued, the focus of attention slowly shifted towards the social and sociological implications of a charter on trade and employment.

He agreed with the Australian representative that the Chapter on commercial policy could only be implemented if a minimum state of economic equilibrium existed. It had to be realized in that connection that the major industrialized powers had a great responsibility for only if they maintained a high level of demand, could the dependent economies achieve economic equilibrium. Many eloquent statements had been made in that respect by various representatives.

He supported the suggestion of the Australian representative to make a further request for a report from the Economic and Social Council. ITO would have to work in close relationship with the Council, but it would have to be recognized that the former had both the right and the duty to intervene, when international trade was seriously affected or threatened.

The Charter did not recommend solutions concerning employment conditions in individual countries but if any state should fail in that respect it would incur a large responsibility.

It was essential to reassert the necessity for fair labour standards and for co-operation with the ILO in that respect. The balance of payments would have to be readjusted so that there existed international equilibrium. Another fundamental point to be taken into consideration was that countries which faced economic crises could not be forced to obey the regulations concerning quantitative restrictions. As regards that question, the countries concerned would have to reach an understanding concerning common progress.

Chapter II of the Charter could perhaps be more clearly drafted, but as a compromise text it was generally satisfactory.

Mr. FARRERA (Mexico), said that the general principles of the Charter were acceptable but that certain of its provisions were mutually contradictory. The aims of Chapter II did not coincide with certain other portions of the Charter, and in his opinion, it should be strengthened so as to recognize the unqualified right of countries to maintain full employment.

The Mexican Delegation would submit a series of amendments to bring the Charter more into conformity with the economic policy of Mexico and to ensure...
greater protection and uniformity concerning the standard of living of agricultural and industrial workers.

Mr. PEREZ (Dominican Republic) stated that his country could not undertake to maintain full employment so long as it was not in a position of equality with respect to its natural markets. It seemed to him, that the principle of inequality was being consecrated in the Charter and yet as long as no equality existed in the Caribbean, the Dominican Republic would be unable to improve its economic position and depressions would continue to take place.

Mr. SHACKLE (United Kingdom) drew attention to the high importance which his Government attached to the provisions set forth in Chapter II. Even during the war, the Coalition Government had felt the subject to be of great importance and had issued a White Paper setting forth an employment policy.

He agreed with the Australian representative as to the essential link between Chapter II and other portions of the Charter, in particular the chapter on commercial policy. He also agreed with Mr. Coombs that the attention of the Economic and Social Council should again be drawn to the request for a report on the subject of the Preparatory Committee draft resolution on employment.

Mr. FER (Turkey) expressed warm support for the principles contained in Chapter II for they could provide the foundation of a new social structure. Full employment and the increase of production were essential for the achievement of higher standards of living, as had been laid down in Article 55 of the United Nations Charter and in the Philadelphia Declaration of ILO. The ITO Charter outlined both a practicable and comprehensive plan for the establishment of satisfactory economic conditions.

In Turkey one of the functions of the State was to ensure a job for every citizen who was able to and wanted to work. Turkey was attempting to increase productivity in order to raise the standard of living.

The meeting rose at 5.50 p.m.