UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL
PRINCIPAL COMMITTEE
of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report
of the
SECOND MEETING
of
COMMITTEE 1
held in
The Hoare Memorial Hall,
Church House, Westminster, S.W.1.
on
Monday, 21st October, 1946.
at
11 a.m.

Chairman. Dr. Funak King (China).

(From the Shorthand Notes of B. GUINEY, SCGS, FUNKELL,
58, Victoria Street,
Westminster, S.W.1.)
THE CHAIRMAN: Gentlemen, the meeting is called to order.

H. ERIK COLBAN (Norway): Mr President, on a point of order, I have just received a paper issued by the secretariat outlining the programme of work of the Committee during the present week. I see that it is proposed to hold three meetings: at 11, at 3 and at 5 every day. I would suggest that we meet at 11 o'clock in the morning, that we meet again at 3 o'clock in the afternoon and go on as long as we are capable of working reasonably, but without a break and without a third meeting; for this reason: many of the delegations are not sufficiently staffed to allow their delegates to sit the whole day in the meeting and at the same time consider the documents, prepare proposals, and so on. It is simply impossible for some of the delegations - at any rate, my own - to follow the work of the Preparatory Committee without having the evenings reasonably at their disposal. So that I respectfully suggest that we agree to meet, as I said, at 11 in the morning; go on till 1 o'clock or a little after; meet again at 3 sharp, and go on, for instance, not later than 6 o'clock. That would mean that we should sit four or five hours, and I think that is sufficient to keep us reasonably busy for the rest of the day in examining the results of our discussions.

THE CHAIRMAN: I think the automatic simultaneous interpretation system is functioning. I am wondering whether we could not dispense with the ordinary translation, unless some of the delegates want to have the ordinary form of translation. I make the suggestion merely for the purpose of saving time as much as possible. The suggestion made by the Norwegian delegate is agreeable to the secretariat, but I would like to know whether there are any other suggestions on this point. (After a pause:--) Now you have before you all the necessary documents, including the verbatim record of the last meeting and also a summary record of the last meeting. Then there is another very useful document.
which has been prepared by the secretariat and distributed this morning. I wonder if you have any alterations to suggest in the summary record. Before we start our work I would like to say a word or two on the method of the work of this Committee. As we are all aware, at the last meeting we adopted — of course, provisionally — an agenda which was suggested by the United States Delegate, and which, after some exchange of views, was adopted by the Committee, subject to alterations and amendments later on. As you will notice, this provisional agenda is composed of two headings: heading (a) and heading (b). Under heading (a) you will notice that there are a number of items which are generally taken from Chapter 3 of the suggested American Charter, I believe together with some amendments which were proposed by the Australian and Indian delegations. Now, as I say, they are in general the headings of Chapter 3 of the suggested American Charter, and there are five articles in that chapter, from article 3 to article 7. In addition, we have heading (b), which, I understand, concerns the questions of industrial development, as to which we have set up a joint body under the chairmanship of the Indian representative. Inasmuch as we must have some working document to start our work, therefore I take it that it is the general consensus of opinion that this suggested American Charter will be taken as the general framework within which, any other points, ideas, alterations, amendments, changes, &c., &c., can be easily added. As you will notice, so far as the work of this Committee is concerned, the propositions, proposals and charters which have so far been tabled have a very large area of agreement, if I may say so. There are, of course, certain propositions which show some difference in detail, in emphasis or in the method of approach, but I take it that fundamentally there are no differences. All the propositions are designed to achieve the purpose which has been
stated in the suggested agenda, the achievement and maintenance of high and steadily rising levels of effective demand, employment and economic activity. Now we are not talking about heading (b). Of course, we shall see whether and how these differences in emphasis, in detail and in the method of approach can be reconciled, and I hope they can easily and quickly be reconciled. Now, do not you think that as a starting point it might be a good idea to examine and discuss article by article chapter 3 of the suggested American Charter, and then in the course of our examination and discussion every delegate has perfect freedom to bring up any ideas, any amendments, any points or any modifications on the basis of his own charter or proposal. In this way I believe we can start our work right now and expedite our work so as to complete it in a short time.

Of course, at the last meeting the question was raised as to the final form that the results of our deliberations should take. As I told you at the last meeting, this is really a point which concerns the work of the Committee as a whole. Committee I alone is not in a position to settle that question, and I should think that that question could be profitably and usefully taken up at a subsequent meeting of the heads of delegations or else at a meeting of the Executive Session of the full Committee. In the meanwhile, we must proceed with our work without prejudice to the question of the form that the outcome of our discussions may take. Of course, the results of our discussions might be recorded in the beautiful form of articles or in the somewhat less beautiful form of a set of recommendations which might be incorporated in a charter or constitution, or, to use the words of the Resolution of the Economic and Social Council, a draft convention; or they might simply take the modest form of a set of recommendations which might later on be submitted to the Economic and Social Council, making.
them to be good enough to refer it to the relevant organ for consideration and action. I would suggest that we proceed with our work by taking the American Charter as a general framework with the aid of this synopsis. You have the synopsis; it is called a comparative table — E/PC/T/cI/W2. In this way I believe we can somehow expedite our work. It is my highest wish — and I think I am correctly interpreting the wishes of all my colleagues here — that we may be able to finish our work in two weeks, or, if I am a little too ambitious or optimistic, say in 2 ½ or 3 weeks — certainly in not more than 3 weeks. Therefore I would suggest that we start our work by discussing Chapter III of the American Charter, together with all the other corresponding relevant provisions in all other suggested charters. This is only a method of work without prejudice whatsoever to the amendments and proposals from any delegation here.

Sr. FRESQUET (Cuba): Mr Chairman, we wonder whether the wording of paragraph 3 of Chapter I of this projected charter is not also a matter for discussion in this Committee, because it deals with the general economic development of the member countries.

THE CHAIRMAN: You are referring to the words: "To encourage and assist the industrial and general economic development of Member countries, particularly of those still in the early stages of industrial development". I suppose this belongs to heading B of the suggested agenda. Do you mean to say that the heading of Chapter III should be so modified as to include that point; is that what I am to understand?

Sr. FRESQUET (Cuba): Yes, that is right.

THE CHAIRMAN: Shall we talk about the title later on after we have finished the substance?

Sr. FRESQUET (Cuba): Then I suggest that we should come back to Article 1 after we have finished our work on Chapter III.

5.
THE CHAIRMAN: Strictly speaking, I do not know whether it is the work of this Committee to discuss Article 1 and Chapter I: "Purposes"; because according to our agenda we are discussing questions of employment, demand and economic activity, and I really do not know whether we are to discuss the general purposes of the organisation. Of course, point 3 of Chapter I is closely related to our work, and, since this is the case, I think, unless I hear to the contrary, the heading of Chapter III may have to be modified. Anyway, we will come back to this when we come to heading B of the suggested agenda.

Mr COCKES: (Australia): Mr. Chairman, I am sorry to be difficult so early in the piece, but I am afraid we cannot accept the suggestion that we take Chapter III article by article. You will note that Chapter III deals with "Employment Provisions". It was the major point in our earlier comments that employment was not the whole story in relation to effective demand, and we wish to deal under this general heading with several other matters.

It appears to me to be desirable to adhere to the agenda provisionally adopted at the first meeting, which sets out as item 1: "International agreement relating to the achievement and maintenance of high and steadily rising levels of effective demand employment and economic activity", subdividing that into: "(a) General undertakings of members, (b) Recourse in case a member is damaged by failure of another member to fulfil undertakings, (c) Consultation and exchange of information, (d) Assignment of functions". This comprehensively covers the subject matter which we, as well as other people, wish to raise under this general heading, and I would suggest for your consideration either that we deal with item 1 as a whole in the first instance, or (and this would appear to me to be a better course) we come down to detail matters at the second stage, or alternatively, take (a), (b), (c) and (d) as set out under item 1 in this provisional agenda and take them progressively.
Mr. P.S. Lokanathan (India): Mr Chairman, I should like to support the suggestion made by the Australian delegate for an additional reason. I think the Indian Delegation has had no opportunity to study closely the Charter prepared by the American Delegation. We have only had the opportunity of considering the American Proposals, which, as you know, differ in many vital respects from the Charter. Therefore it seems to me inappropriate that we should take up the Charter as a basis for discussion. I think the points put down for the agenda are comprehensive and we should like to put in our ideas. There is another advantage in this course: if we take the Charter as the basis of discussion, any suggestions, comments and amendments that may be put forward would appear to lead to the conclusion that we accept the main basis of that Charter. But it may be that some countries are not yet prepared to commit themselves to that, and therefore I think it would be helpful if we prepared certain recommendations based upon broad items included in that agenda. Therefore I would like to support the suggestion of the Australian delegate.

Mr. J.E. MEADE (UK): We think we are more likely to make rapid progress in this subject if we start with a rather more general debate than would take place if we went through the detailed clauses of the American Charter item by item. We do not say this with any desire to preclude the possibility of ending up our labours comfortably and, if it is appropriate, with an actual illustrative draft as the result of our deliberations; but we do not believe we shall make rapid progress on this unless we first of all have a rather more general discussion of the main points. We should like to support the suggestion which was made by the delegate of Australia, that we should take as our start this agenda which was provisionally adopted at our first meeting, and discuss the first part of it, item 1, (a), (b), (c) and (d), as a general whole in order to see the degree of agreement with
which we all start and see what are the main differences, if there be any, of emphasis which we lay on the different parts of it. We think if we started off by doing that we should be spending our time very profitably, because it would enable us very soon after that to come down to those particular points which are in disagreement between us.
MR. L.D. MARTINS (Brazil) (Speaking in French: interpretation):

Mr. Chairman, the Brazilian delegation is in general agreement with the suggested, but suggests there might be some point in having as a basis for preliminary discussion the provisional or suggested agenda which was adopted at the first session of the Committee. This agenda as it stands, however, is not as complete as it might be if one considers the various detailed proposals which are contained either in the projected American Charter or in the complementary suggestions which have been submitted by the Brazilian delegation, and in particular there are two additions which would be extremely useful in that suggested agenda.

After the first point of sub-division, (a), "General undertakings of members", we suggest there should be a second item, "International Investment", and, as a third point, "Utilisation of refugees in immigration countries." We think those topics are particularly important at the present juncture and should not be neglected. Therefore, as a basis for the first work of the Committee the Brazilian delegation suggests that the agenda as submitted to the first meeting of this Committee should be adopted, with the two additional points referred to, which would be points ii and iii under (a).

MR. JOHN H. G. PIERSON (United States): Mr. Chairman, it seems to me that at this stage what we are all trying to do is not yet to arrive at any agreements, but to find the issues that exist and define the issues, so that we can then get down to work and work out differences of opinion that may exist. The United States is naturally perfectly willing to see utilised the preliminary agenda suggested at the last meeting, as Mr. Coombs has today suggested, since we introduced that
document. I wonder whether, particularly in view of the remarks of my colleague from Brazil, it might expedite our work if the Chair were to appoint a Committee, or were himself, with the Secretary, to undertake the task of assembling, very much in the manner of this useful document already prepared by the Secretariat, the proposals that the various countries have already submitted, or those that they may wish to submit, and, in doing that, possibly organize them under three headings? I have in mind that perhaps points (a) and (b) of Item 1—that is, "General undertakings of members" and "Recourse in case a member is damaged by failure of another member to fulfil undertakings"—might usefully be brought together as one subject and discussed as one subject, and similarly with the question of functions—"Consultation and exchange of information", or other functions, and the assignment of these functions to existing organizations, or, if we feel that the International Trade Organization will have certain functions, then the retention of those functions in the International Trade Organization. Those two points, (c) and (d), seem to me to constitute subjects that can usefully be discussed together, and perhaps there would be an advantage in not discussing (a), (b), (c) and (d) all together, but rather (a) and (b) and (c) and (d). Then suggestions with regard to industrial development would be assembled in a third document, and when we get to the discussion of that we could usefully decide how much discussion was advantageous in this Committee and how much needed to be referred to the Joint Committee on Industrial Development.

If this suggestion is a good one—and I offer it very tentatively—it may involve delay in the work of the full
Committee while the materials are being assembled, or that could be done on the side and we could devote our time, first, to an attempt to bring out the issues so as to familiarise ourselves as far as we can in a preliminary way with the area of agreement, which undoubtedly is wide, and with the points of remaining disagreement.

MR. A. KUNOSI (Czechoslovakia): Mr. Chairman, the Czechoslovakian delegation is in substantial agreement with the views of the delegate of the United Kingdom and would consider favourably the suggestions of the American delegate for the second phase of the discussions of this Conference.

THE CHAIRMAN: Is there any other delegate who wants to speak? Otherwise, I will sum up.

When I ventured the suggestion that the American Charter might profitably be taken as the general framework it was only because, as I understand it, when the suggested agenda was prepared it was generally agreed that the general headings in that Charter should be incorporated in the suggested agenda. Of course, I made the suggestion without any prejudice at all to any other Charter or proposition.

Now, if we adopt the Australian Charter or the Indian amendments as the general framework, and then in the course of the discussion the American proposals might profitably be built into that framework, it would amount to the same thing. It is only a method of work, a method of approach, and the final goal is exactly the same. That is to say, we will try to get agreement on the basis of all these proposals and suggestions which have already been tabled or which may be tabled in the course of our discussions.

However, as it is the general desire of the Committee that we should have a general discussion, a general debate or exchange of views on the basis of the suggested agenda
which was adopted at the last meeting, of course we shall proceed with our work on that basis.

Now the Brazilian delegate suggested adding two more points to (a) of Item 1; that is to say, (i) International Investments, and, (ii) Utilisation of Refugees in Immigration Countries. That is one suggestion.

THE SECRETARY: May I, Mr. Chairman, draw the attention of the Committee to the fact that the Economic and Social Council decided in its last session in September on the establishment of a Specialized Agency, an International Refugee Organization, which should deal with the question of the utilisation of refugees. I wonder, therefore, Mr. Chairman, whether we should not leave this point to this Specialized Agency, established specially for this purpose?

THE CHAIRMAN: I will come to that later.

Then the United States delegate suggested that the Chairman might appoint a sub-committee for the purpose of assembling all these points, (and we might call it the Assembly Committee, I suppose), so that all the points could be sifted with the aid of this useful document which was prepared by the Secretariat, so that we could later on have an agreed agenda to start our work.

He also suggested that for the purpose of facilitating our work and simplifying our discussion point (a) and point (b) should be discussed at the same time, and that point (c) and point (d) should also form one item for the purpose of discussion; and that on the question of industrial development - No. 2, "International agreement relating to industrial development" we might think it over as to how much the questions under this heading should be discussed in this Committee and how much those questions should rather be referred to the joint body of Committee I and Committee II.
As regards the point which was raised by the Brazilian delegate in respect to the question of refugees, you have heard from the Secretary that there has been established a Specialized Agency under the auspices of the Economic and Social Council precisely for the purpose of dealing with that question, and it is a question of whether the Committee feel it desirable, useful and necessary for us to deal with that question too.

DR. H.O. COOMBS (Australia): May I make a suggestion on the final point of the Brazilian delegate? If the United Kingdom suggestion is adopted and we commence our work with a general discussion on Item 1, perhaps, taking it in the way suggested by the American delegate of (a) and (b) together and (c) and (d) together, it would be possible for the Brazilian delegate to bring out in the discussion the relevance which he may see in the two items which he has suggested to the general subject-matter of our Item 1, and then it could be subsequently decided whether what he had in mind was a matter appropriately referred to the Specialized Agency set up by the Economic and Social Council, or whether it was a matter which had some relevance to our problem here.

Personally, at this stage I do not fully understand the significance of the point the Brazilian delegate has in mind, and I feel, therefore, that he should be given an opportunity in the general discussion to bring out the significance of the point in relation to our general subject-matter. I think that is one advantage of having this general discussion, because if delegates have matters in mind which are not specifically covered in the agenda, but which they believe to be relevant to the general subject-matter of Item 1, it will give them an opportunity to outline
THE CHAIRMAN: Gentlemen, I take it that is the general desire of the Committee, that we should now proceed with our general discussion on the basis of this suggested agenda, with the understanding that (a) and (b) under 1 should be grouped together for the purpose of our discussion, and in the course of the discussion, of course, any delegate is perfectly free to refer to any question, including that question of Immigration, I suppose. So we will start with our general discussions, and I suggest that for the morning session we should discuss Items (a) and (b) under Heading 1.

MR. JOHN H.G. PIERSOM (United States): Mr. Chairman, may I just raise a question regarding the suggestion that I made that the various proposals be brought together in writing? I think one advantage of doing that, not simply through the Secretariat, but through a Committee, including all those who have suggestions to make, might be this: I notice the proposals of the various countries are strikingly similar on many points, and it would certainly be possible to simplify the material for consideration by this whole body if some smaller Committee could sift out and shake down the list and reduce it to essentially different proposals. You would then not have to have seven or eight proposals in parallel, three of which might be precisely the same except for a word or two which conveyed no difference of meaning, and I would therefore raise the question as to what the Chair's intention is with regard to the physical manner in which we will bring together on paper for later consideration the different proposals?

THE CHAIRMAN: Do you propose to have two sub-committees for 14.
this purpose, or one sub-committee?

MR. JOHN H.G. PIERSON (United States): Well, it might be desirable to have two sub-committees, and one group of people work over the proposals relating to (a) and (b) and another group be responsible for getting together and assimilating the proposals under (c) and (d). I think that might expedite matters.

MR. J.E. MEADE (United Kingdom): Mr. Chairman, I would like to propose that we have one sub-committee rather than two. I feel that the ideas that will come forward under (b) would be so closely connected with the ideas that will come forward under (d) that it would be difficult to separate them, and I cannot help feeling that it would be almost as quick and probably more businesslike to have one sub-committee to draw up this annotated agenda.

MR. JOHN H.G. PIERSON (United States): That is perfectly agreeable to us.

THE CHAIRMAN: As I have said already, the United States delegate suggested the setting up of two sub-committees for the purpose of sifting all these proposals and making an effort to group together all those points in one document for the purpose of facilitating and simplifying our discussion, and the United Kingdom delegate suggested that there should rather be one sub-committee, because the items and the general implications of those items are so closely inter-related to each other that it would be very useful to discuss them together, in the same order.

Now would it be useful to start with the general discussion first, because it might turn out in the course of the general discussion that there are some other new points concerning which we should also try our best to group them together in the same document? As I understand it, up
to now there are five propositions, and it might be that some of my other colleagues would like to throw out some new ideas or make some new suggestions; but I am entirely at your disposition. I should think that it would be in the interests of the work that we should appoint this sub-committee right now, and I am quite willing that we should do that.

DR. H.C. COOMBS (Australia): It seems to me there are definite advantages in leaving the appointment of the Committee until a later stage. As you yourself have mentioned, Mr. Chairman, there may be points put forward by delegations whose views have not been expressed as yet, and I think we would be in a better position to judge which are the delegations which could help most in the preparation of such a combined document after we have heard the general discussion than at this stage. I feel that particularly because I believe it will be necessary to keep that Committee fairly small if it is going to work effectively, and we should therefore, I think, have an opportunity to judge which delegations would be in a position to contribute most to the work of such a Committee. I would suggest, therefore, that we defer the appointment of the Committee until the conclusion of the general discussion.

THE CHAIRMAN: Shall we say that we will start with our general discussion now in this morning's session, and at the end of this morning's session we will come to the question of the appointment of a sub-committee for that purpose? Will that satisfy you?

DR. H.C. COOMBS (Australia): Yes.

THE CHAIRMAN: And the United Kingdom delegate, too?

MR. J.E. MEADE (United Kingdom): Yes.
THE CHAIRMAN: Then we will settle down to our actual work; that is to say, the general discussion on points (a) and (b) under heading 1 of the suggested agenda. Is there any delegate who wishes to speak?

MR. P. S. LOKANATHAN (India): Mr. Chairman, the Indian delegation feels strongly that the employment provisions contained in the American proposals and also in the Charter are rather inadequate, because they show insufficient appreciation of the problems of countries which, like India and China, are not so well advanced industrially. There are at least three trains of thought in our minds which have not been emphasised and included in these American proposals. In the first place, we are concerned with the maintenance of the incomes of primary producers, and I think any employment policy which does not provide for the maintenance and stability of the incomes of primary producers cannot be regarded as satisfactory. Secondly, the whole idea of full employment, as has been pointed out by several members here, does not translate our common thoughts on the subject. Full employment is desirable in so far as the maintenance of full employment in national economies gives rise to demands for the products of primary producing countries, and therefore we welcome full employment in advanced industrial countries, but that does not meet our requirements, because in countries like India and other such countries the problem is not so much one of maintenance of full employment as the drawing away of the surplus of labour from the primary occupations.
I think the diversification of employment is our most urgent task. This has two aspects. In the first place, the mere act of drawing away surplus labour from agriculture and leaving only a small labour supply increases the per capita income of the agriculturists; and therefore the taking away of surplus labour from agriculture and other primary occupations is our first task. In the second place, the fact that these people who have been drawn away from agriculture to industry would go to more remunerative jobs would also increase the per capita income. Therefore the task is one of getting diversified employment, and closely connected with this getting of diversified employment in the underdeveloped countries is the whole problem of economic development and industrial development, to which attention has been drawn in this meeting. I therefore think that unless these three important provisions, first, the maintenance of the income of the primary producers, second, the diversification of employment, and third, the industrial and economic development, are put into the employment section, I do not think countries like India and China and others will be able to accept these provisions here. There is also a further point, to which I am glad the Brazilian Delegation have drawn our attention, and that is that when there is investment from foreign countries in other countries there should be some stability in investment, and that again pertains to the question of employment; and therefore that also, in my opinion, should be included in the employment provisions. I think these are the general ideas which, in the opinion of the Indian delegation, should be incorporated in the employment policy.

THE CHAIRMAN: Are there any other comments?
MR MARTINS (Brazil) (Speaking in French: interpretation): I think that there is no need to point out, regarding the general subjects of our discussion, that the problems of interest to Brazil and the countries of Latin America are not on all points the same as those of countries whose industrialisation is still inadequate, because the countries of Latin America are also in need of labour. It is this reason which led the Brazilian delegation to propose that the problem of immigration, more especially the problem of the immigration of refugees, should be dealt with at the same time as the problem of employment.

It is true that the Economic and Social Council aims at setting up a special Committee to consider that subject, but, in regard to the question of employment, I would like to stress the advisability of not omitting the problem of labour in countries having a small density of population. The refugee problem must be considered at the same time, for a solution to it is urgently required at the present moment.

It is not advisable that the problem of employment, which especially affects the most developed countries, should be dealt with in such a way as to create another employment problem in the immigration countries, because the introduction of a mass of population into these countries may cause great economic disturbances, for these masses of population may be without employment and consequently may create a new employment problem in these countries.

The existence of a large number of immigrants in a country cannot be envisaged without thought being given at the same time to the creation of the economic means to provide employment for them, namely, the industrial training of these immigrants, on the one hand, and the general
organisation to realise this project on the other.

For this reason, the Brazilian delegation considers that it would be very useful if the Committee to be created for the study of this problem at the end of this meeting took into consideration the special conditions in each country, because the solution adopted cannot be the same for immigration countries and for countries which have no need of immigration.

THE CHAIRMAN: Are there any other comments?
Dr Coomes (Australia): Mr Chairman, at the outset I would like to make clear that, in setting out our views in relation to the subject matter of this item of the agenda, we are concerned not so much to outline the general character of an employment policy which we believe to be desirable but those qualities in employment and related policies affecting effective demand which are an obligation which one country owes to other countries in the world economy. It is for that reason that we have not suggested dealing with some of the points which our friend the Indian delegate mentioned in his comments. We would agree entirely with the objectives which the Indian delegate set out as the basis of an appropriate employment policy, particularly for an economy in the state of development of the Indian economy, but we believe that some of those things are matters which are primarily of domestic concern. I think there are certain aspects of this class of policy which are of concern not only to the countries which are carrying them out but which are of fundamental concern because of their effects on the other countries in the world; and what we seek to do here is to set out in as precise a way as we can what are the obligations in relation to these matters which we believe individual countries bear to their fellow countries.

It has been pointed out that the question of full employment is not entirely relevant to the behaviour of a relatively under-developed country, and we would agree with that. The obligation of maintaining full employment is most important for the most highly industrialised countries in the world; it is important not only to them that they should do it but it is important to the under-developed countries that the fully developed countries should themselves maintain full employment, because I believe the capacity of the under-developed countries to become fully developed depends
fundamentally upon the success which highly industrialised countries have in maintaining their levels of employment and therefore their levels of demand. But there is an obligation, none the less, which an under-developed country bears towards other countries, including the highly developed ones, and that is to develop their resources to the full extent of their capacity, so that they, too, increase progressively their capacity to buy on the world's markets. So I think we have to approach this question of effective demand in internationally traded goods from both points of view in saying that all countries have an obligation to do what they can to maintain that demand. From the point of view of an industrialised country that obligation is best expressed first of all in terms of employment. For the under-developed countries it is best expressed in terms of an obligation to develop. Both of those aspects are parallel obligations, one falling primarily on the industrialised country and the other on the under-developed. Consequently, in the notes we have put forward for the use of delegates, we have set forth both those obligations as obligations which countries should accept.

I want to go further and to deal a little more with what appears to me a necessary supplement to the obligation relating to employment. It has been pointed out that it is possible for a country in times of depression to seek to maintain its employment by measures which are detrimental to employment in other countries. We believe that is possible not only in times of depression but in fact we believe that such behaviour can very frequently be the cause of depression and that it precedes depression, and we look, therefore, for the indications that such policy is in fact being applied: that
some country is exporting its unemployment. When we come to do that I think we see that it is possible for a country to maintain employment within its own borders while at the same time not allowing that employment to exercise its full effect on international trade, and by so doing to maintain employment in export industries without spending the income which those export industries provide for it to the full. If that happens, then the country following such a policy will accumulate international resources. They will not be using currently either for the purchase of imports or for their free investment abroad the resources which are currently becoming available to them. It is clear that if a country earning progressively international resources by exports does not spend the international resources so accruing to it, or invest them abroad, then that country is failing to do what is within its power to create employment in other countries. It is, in fact, maintaining employment in its own country at the expense of employment in others; it is exporting its unemployment.

We therefore believe that it is a fundamental supplement to the obligation to maintain a high level of employment that a country should accept a parallel obligation to use to the full the currently accruing international resources which are under their control. If they do that then they will be producing as much employment abroad as is within their capacity to do, and consequently there will be a balance in their international payments over a period of time which will ensure that they are creating as much employment abroad as other countries are creating in their country by purchases from them.

That leads on to one minor point in relation to that particular obligation to which I would like to refer. There are two ways in which a country can carry out that obligation
and make full use of its currently occurring international resources. The first is by the purchase of goods or services abroad, and the second is by investment in the development of other countries, and that is a highly desirable and very important element in international payments and one greatly to be encouraged while there are so many countries in under-developed stages. But it is important for the purpose of this undertaking that such investment should be made in ways which do not tie the hands of the country in which the money is invested.

If the money is invested in those countries under what is commonly called the system of tied loans, so that the proceeds of those loans can be used only in the country making them, then it is possible still for a country to maintain employment but to use all its current resources abroad and still export unemployment. Only if investment is free in the sense that the foreign exchange so made available to the borrowing country is freely available for the purchase of goods and services in all countries can we look for a completely satisfactory relationship between international demand and potential supply.

In making this last point I would like to emphasise the fact that we do not wish to be too dogmatic about the matter of tied loans. We believe they are theoretically in particular a bad form of loan, much less satisfactory than one which is freely available. At the same time, we believe that while under-development exists on so wide a part of the earth's surface it is better to have tied loans than none at all; but, none the less, when we are coming to look at the abolition or the modification of existing restraints upon international trade, we should not ignore what is a very serious form of restraint upon international commerce in the form of tied loans.
In summing up our point of view, therefore, in relation to section (a), that is, the general undertaking of members, we believe that there are three basic undertakings which all countries should accept but whose relevance differs from country to country according to their stage of development. The first undertaking is that each country will take action designed to achieve and maintain full employment within its own jurisdiction through measures appropriate to its own political and economic institutions. The second is that each of the signatory countries will take action individually and through existing agencies designed to ensure that its currently occurring international resources are used fully for international payments for goods and services or for investments abroad; and thirdly (and this one applies particularly to under-developed countries) that each of the signatory nations will take action designed progressively to develop resources and raise standards of productivity within its jurisdiction.

Those are the three basic general undertakings which we believe it essential that countries should accept. Since we think that those obligations should be accepted we think it necessary to provide, as suggested in (b), for action in the case of a member being damaged by the failure of another member to fulfil its undertakings. This is a fundamental issue for what I may describe (without offence to those who are so described, since we are one of them ourselves) as the dependent economies. There are certain economies in the world which are capable of standing substantially on their own feet economically about whom it can be said that the factors determining the general level of economic activity, the general level of prosperity, are essentially domestic. There are others where the danger signs
first appear abroad, where economic depression is almost always associated with a failure of export income or with a failure of the flow of capital. That type of economy I described here as the dependent economy. It is fundamental to an economy of that kind that it should be able to look with confidence at the economic policies of the countries which are not dependent. Furthermore, it is essential that if in fact the countries which are not dependent do fail to carry out the basic obligations I have outlined, the dependent economies, whatever obligations they may have previously accepted, shall be free to take the necessary action to protect themselves and their domestic economies against the effects of a decline in effective demand originating in one of the major countries of the world. We are not suggesting that there are no obligations which can be accepted unconditionally; we are suggesting that it is not possible to divide the subject matter of this Conference into two water-tight compartments. I think our Canadian friends said the other day in their opening remarks that the protagonists at this Conference could be divided into those who thought employment was the primary thing and those who thought reduction of barriers was the primary thing. I gathered that our Canadian friends were thinking in terms of the first category. We would not like to express judgment on that, but we would say this: that it is not possible to look at the work of this Conference which deals with the reduction of barriers and assume that it can confidently be examined without our knowing with reasonable certainty what obligations are going to be accepted in relation to the other matters and how effectively they are going to be carried out. Unemployment on a wide scale in the United States
and the United Kingdom means depression in my country and in the countries of many other delegates here represented. Such an eventuality would inevitably produce balance of payments problems in my country and in other countries here represented. Consequently, if we are to be asked to accept obligations reducing our capacity to use the type of economic protectionist measures upon which we may have relied in the past, it is essential first of all that we should have confidence that they will not be necessary; and, secondly, that if that confidence is in fact misplaced and they do become necessary, we are able to use them, not indiscriminately and with malice but on a scale and to a degree which will make them effective for the fundamental purpose for which they are designed. It should not be inevitable that depression in one country, even if a major country, should produce depressions in other countries. It is essential, if it is the policy of my country or any other smaller country to maintain full employment and high standards within its own barriers, not that the full execution of that policy should be made impossible or even acutely difficult by the failure of other countries to maintain and to carry out their obligations. We suggest, therefore, that there should be adequate provision for consultation and agreed action involving, where necessary, the various specialised agencies of the United Nations to deal with a threatened or an actual failure of effective demand originating wherever it may. Secondly, we believe that there should be specifically in the Charter, in their appropriate places, ultimate freedoms of action in those clearly defined cases to ensure that countries can take the action necessary to protect their own economies from the spread of depression. In between those two types
of measure we think it is necessary to link up the general undertakings adopted throughout this Charter with the success in carrying out the basic obligations, so that, in the event of a failure by a major country or by any country to carry out those obligations in relation to employment, the use of resources or development, and where it can be shown that that failure is detrimentally affecting the economy of another country, there should be the right of the country whose economy is adversely affected to bring that situation before the notice of some international organisation, and seek, if it believes it to be justified and can so establish to the satisfaction of the organisation, to obtain a release from its obligations towards the countries whose failure to carry out those obligations has caused the trouble. Our reason for inserting that suggestion is not in the hope that it will make it possible to deal with a failure of effective demand by restrictive practices imposed unilaterally. We do want to make it as certain as is humanly possible that no effort is spared to see that a disequilibrium of that sort is corrected not by restriction in the countries secondarily affected but by expansion in the country where the failure of effective demand first occurred; and we believe that the best way to do that, in the event of the country itself not taking the necessary action, is to enable it to be brought before the appropriate international organisation so that it can have explained to it in detail the effect which this failure is having upon other economies of the world.

We have in the proposal we put forward therefore suggested certain measures for consultation and joint action through the appropriate organs of the United Nations. Finally, we have suggested that, in a case where the International
Trade Organisation determines that a persistent failure to carry out the basic obligations in relation to effective demand has occurred and that the economic interests of the complaining country have been adversely affected, the complaining country shall be released from the obligations incurred under this Charter towards the member failing to give effect to its undertakings, except in so far as the International Trade Organisation decides from time to time that a member should not be released from specific and specified obligations.
In other words, Mr Chairman, we put those obligations which all countries bear to all other countries, to maintain within their own borders economic conditions such that they will be playing their full part in promoting international trade and development in under-developed countries, absolutely on a parallel with the proposals which have been put forward in relation to the reduction of barriers. As I put it briefly the other day, it is useless to clear the channels of trade unless you ensure that there is sufficient demand for trade to provide some trade to flow through the channels. Those two things, to us, are intimately interwoven; and we hope, as a result of this conference, not merely to play our part in the elimination of unnecessary and unwise barriers, but to be able to report to our Governments that there is good reason to hope that because of the undertakings other countries are prepared to accept it will be possible for us to accept those reductions of barriers as limitations of our freedom of action, with reasonable confidence that they will not be required, or, if the worst happens and they are required, that our freedom will be restored to us.

MR UGONET (France) (Speaking in French: Interpretation): May I ask for a translation into French of the statement by the Australian delegate, because it was a particularly important statement.

THE CHAIRMAN: You mean that there should be a translation right now?

MR UGONET (France): Yes.

(The statement made by the Australian Delegate was then translated into French).

DR COOMBS (Australia): I should like to add two small points to avoid any possibility of misunderstanding. I referred to certain action which it seemed to me to be necessary to take in the event of the failure by a country to carry out its obligations in relation to the maintenance of effective demand. I should like to make it clear that in using the word "failure" there I was not suggesting the possibility that there should be failures in the sense of a failure by lack of will, but rather that many...
of our Governments have set themselves this objective of full employment; but it is, I think I am right in saying, relatively a new basic principle in economic policy. We have not had long experience of its implementation; and it is not unreasonable, therefore, to anticipate, possibly in some countries greater than in others - but possibly in all - some difficulty in attaining complete implementation. In those circumstances, without any moral criticism of the country in which the failure occurred, we do feel that the action which I have suggested would be necessary, not as a method of placing that country before an international bar for criticism so to speak, but merely for taking the action necessary to prevent the spread of that failure to other countries. I should like to make that point quite clear - that what we were concerned with was a failure by human weakness rather than failure due to lack of will.

MR UGONET (France - speaking in French: Interpretation): I warmly support in general the point of view expressed by Australia. As the Delegate has pointed out, in reality there are two problems, one which is permanent and the slow evolution which ensures the increase of the purchasing power of the workers of the world, and this progressive devolution is assured on the one side by the maintenance of full employment of all workers and the increase in the productivity of those workers in countries where this problem has to be faced. In regard to this aspect of the ideal which we can set ourselves, I can only associate myself very warmly with the expression of the two forms or aspects of the common aim, of the development of the demand for merchandise in the world through an increase in the purchasing power. But the Delegate of Australia has indicated his concerns particularly not only for an increased purchasing power of the world, but the consequences of sudden shocks, which should be limited in their extension to other countries. This lack of equilibrium is all the more serious in that it arises in countries which are industrially most developed and which actually makes other countries depend upon them; so
that one can say that their responsibilities in the case of those countries which are independent is greater than those of other countries and that effectively to secure the economic stability of dependent countries demands that assurances or guarantees should be given to them against the chance of instability in their activities.

THE CHAIRMAN: I was a little bit too ambitious a moment ago when I envisaged the possibility of setting up a sub-committee at the end of this long session; but as things stand now I will have to forgo the pleasure of appointing that sub-committee this morning, and we will come to that in the afternoon. Now we are still on page 1, points A and B of the first heading, and of course we will continue the discussion of these two items as well as begin the discussion on the other two items C and D in the afternoon. I very much hope that we shall be able to dispose of all these four points in the afternoon session. We will meet here again, in the same hall, at three o'clock this afternoon.

MR FRESQUET (Cuba): Do I understand, Mr Chairman, that we shall have an opportunity this afternoon of continuing the discussion of these two first items?

THE CHAIRMAN: Yes; we will continue the discussion on A and B, and then after that we will come to items C and D.

MR FRESQUET (Cuba): Thank you very much.

(The meeting adjourned at 12.50 p.m.

For report of afternoon session see Part II)
UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL.

PREPARATORY COMMITTEE  
of the  
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

Part II  
of the  
Verbatim Report  
of the  
SECOND MEETING  
of  
COMMITTEE I  
held in  
The Hoare Memorial Hall,  
Church House, Westminster, S.W.1.  
on  
Monday, 21st October, 1946,  
at  
3 p.m.  

Chairman: Dr. Wunssz King (China).

(From the Shorthand Notes of  
W.B. GUANEY, SONS & FUNNELL,  
58, Victoria Street,  
Westminster, S.W.1.)

Correction:  
Throughout the verbatim report of the first meeting of Committee I, (E/PC/T/C.I./PV/1) instead of "Mr. Malik (India)" read "Mr. Nehru (India)."
E/PC/T/C.I/PV/2

IE CHAIRMAN: The meeting is called to order. How we will continue our discussion of points (a) and (b) under heading 1 of the agenda. I understand the remarks made this morning's session already cover the two sub-points suggested by the Brazilian delegate. Therefore our continued discussion will also cover those two points.

FRESQUET (Cuba): Mr Chairman, the Cuban delegation is extremely interested in the necessity of establishing as an obligation of the national members that they should take every action and step to diminish and finally abolish conditions that delay the betterment of the workers. The national members should, therefore, take measures to raise the standard of living of the working class and provide them with the social benefits which they may enjoy in every part of the world. The maintenance of so-called sweated labour conditions in some countries provides one of the dangers to the ultimate purpose of the organisation. Countries with lower standards of living and lacking social benefits for the workers attract foreign capital investment, injuriously affecting the opportunities of countries which try to develop their economies affording fairer terms for labour. The former countries increase the general output for international trade, but their merchandise is offered at cheap prices made possible not through efficiency but through the exploitation of their own people. This obstructs the tendency to a better standard of living in all parts of the world and at the same time represents a disloyal competition to other countries. Therefore the Cuban delegation recommends that, in addition to the three obligations set forth by the Australian delegate, which we fully support, the disappearance of sweated labour conditions and the establishment of social benefits for the workers be made also a basic commitment of members of the organisation.

DEUTSCH (Canada): Mr Chairman, continuing this morning's discussion, we feel that if we are to achieve the rising standard of
living throughout the world which we have set as the great objective of this enterprise, we must endeavour simultaneously to reach both our objectives, the objective of full employment and the objective of expanded trade through the removal of trade restrictions. These two aims are not only compatible with one another: they are essential to one another. If that is so, then we should be careful to retain the balanced approach to our problem. There must be effective international machinery for the maintenance of employment. No programme for the reduction of trade barriers could live for long if we should again have to face the violent fluctuations in the national incomes of the great industrial countries. On the other hand, countries which are heavily dependent upon primary production or upon specialised industrial production or because of climatic conditions must necessarily emphasise the production of relatively few commodities, cannot obtain prosperity simply by undertaking to maintain full employment. That question was alluded to by the Indian delegate this morning. These countries must have open to them the wider opportunities of the international market which can be brought about by the reduction of trade barriers.

Much has been said about the maintenance and expansion of demand. For any country the demand is made up of two parts: there is the demand in the home market and there is the demand in the export market. We want to make sure that both these demands are as high and stable as possible. Therefore, Mr Chairman, in trying to come to agreement on the employment provisions in the Trade Charter, we must be careful not to destroy the possibility of any real accomplishment in our efforts to open up channels of trade. It is very easy in the name of employment to surround ourselves with so many safeguards, so many sanctions and so many let-outs and exceptions that the reduction of trade barriers becomes meaningless. We can very easily, in spite of
our tremendous structure of international machinery, fall back on the conditions of the 1930's, when everybody was busy applying sanctions to everybody else. At that time we know there was relatively complete freedom for nations to take individual action in every part of the world, and the complete use of that freedom resulted only in mutual impoverishment. We were never able to break through that barricade during the 1930's, and it was all done, as we know, in the attempt, each of us, to reach full employment in our own country. That did not succeed.

There should be in any Trade Charter, of course, an unequivocal obligation or undertaking for countries to follow policies designed to maintain full employment. That is essential. There will also have to be safeguards which may be used in cases where countries fail to live up to that undertaking. The various proposals that are before us already have safeguards of that kind in them. There is the safeguard of balance of payments in the American Charter, and in Australia's there is a provision which would allow countries to impose quantitative restrictions to protect their balance of payments when they are endeavouring to maintain policies of full employment in their own countries. Also in the International Monetary Fund Agreement there are sanctions or let-outs and safeguards against the failure of any country in its obligations to maintain full employment.

We should consider carefully, therefore, what additional safeguards are advisable and desirable in this connection. The Australians have suggested several additional general safeguards and also additional obligations. Their suggestion about the full use of international resources is an interesting suggestion. However, it has many complications. The full use of international resources raises questions as to what flexibility is to be given in the case of countries building up their reserves, monetary reserves, and so on, in the case of countries that are subject to inflow of capital of a temporary nature, countries that are
building up reserves as an offset against other obligations, such as the sale of securities - something that we know a great deal about in my country. There are many complications in the idea, but it is perhaps worth following up.

But in general, Mr Chairman, in the use of safeguards with respect to the undertaking regarding full employment, we are particularly fearful of unilateral action. Again we are reminded always of the experience of the 1930's in this respect. We have built up in the last few years a very great structure of international machinery in the economic field. We want to make sure that that international machinery is used fully in attaining that co-operation by which we help one another in reaching both these objectives of full employment and expanded trade. We want to make sure before there is resort to unilateral sanctions and unilateral let-outs that the machinery is fully used. Rather than address ourselves as to how many ways we can discover of letting ourselves out of obligations or applying sanctions, we would address ourselves to the problem of how we can best use that machinery. We have the Economic and Social Council, the International Monetary Fund, the International Bank, F.A.O., I.L.O — all this tremendous equipment with which we have provided ourselves, and I think our real problem is, how best can we try to reach the objectives which we have set ourselves.

Mr MEADE (UK): Mr Chairman, I believe that in the Plenary Session which opened this conference, Mr Marquand, the leader of our delegation, has already referred to the White Paper on Employment Policy which the Government of the United Kingdom published in 1944. We in the United Kingdom are committed up to the hilt to do everything that is possible through a domestic policy to maintain full employment, to maintain what we used to call a high and stable level of employment, to maintain what I think is still better expressed as a high and stable level of demand for goods and
services in general. If, Mr Chairman, in the course of my remarks I do not use the phrase "a high and stable level of demand for goods and services in general", but the phrase "full employment", I hope it will be understood that by the one I mean the other.

We think in the United Kingdom, as indeed is practically a common place now, that in order to maintain full employment one must somehow or another bring it about that a high and stable level of demand for goods in general is maintained, and that that will not happen automatically. That, I say, sounds a truism now; but if one casts one's mind back to the bad old days of the 1930's, it was not a truism. In order that I may point to the sins of my own country rather than to those of another, may I say that we in this country in the 1930's, when there was a great fall in the demand for goods and services and when unemployment grew, indulged in a great economy campaign in order further to reduce the demand for goods and services in order to cure the unemployment problem. That method we have abandoned and I believe practically every other country in the world has abandoned it. It is not for me to point to the innumerable official documents that have appeared in other countries on this subject — White Papers, Acts of Parliament, plans and reports which have been officially presented by many countries, but all based on this principle, that when again mass unemployment appears, we will all do something to maintain the demand for goods and services in general.

Now, Mr Chairman, the United Kingdom since the publication of that White Paper has in fact done a great deal more work internally and domestically on the subject. We have given a great deal of attention in our own domestic government to problems of organisation, of economy and financial policy, in order to decide how best we, internally through our own domestic measures, can attempt to preserve a high and stable level of demand for goods and services in general when a fall in that demand should show itself.
This is the centre of our policy and plans as far as our domestic policy is concerned, and we, therefore, hesitate to accept an unambiguous undertaking to adopt to the best of our ability measures for the maintenance of internal demand. When the delegate from Australia was making his most interesting and helpful speech on this subject before lunch there was one point when he looked up and said that countries such as the United Kingdom and the United States — those were the examples he gave of highly industrialised countries — have a special duty to undertake obligations of this kind. For a moment I felt that my country was in the dock. I will try to get out of the dock, first of all, on behalf of my country, by saying that we should not hesitate to undertake that responsibility. But, secondly, on another ground too, the United Kingdom is in a very special and peculiar position, in my view, in this matter; because, while it is certain that a great depression in the United Kingdom would very adversely affect many other countries through the reduction in our demand for goods and services, it is also true that the United Kingdom, perhaps more than any other country — certainly as much as any other country — is itself in the truest meaning of the words of the delegate of Australia a dependent economy.

Mr Chairman, I will not bother the meeting by rehearsing again the difficulties which we foresee in our balance of payments in the future. It is sufficient now to say that if we are going to get economic health in this country we must have a much larger volume of exports than before the war, and it is our expectation that these exports will more than before the war take the shape of manufactured goods and capital goods — in many cases consumption goods of a luxury or semi-luxury character as well as consumption goods that are essential. We think, therefore, that we should be rather specially vulnerable to a
world depression - to a slump in the demand for our exports.

We therefore feel that there is no dividing line between us and those countries who are asking that all the countries of the world should undertake an obligation to maintain full employment at home. We are willing to undertake such an obligation. We require it of others before we can feel sure for our own economic health. We therefore are of opinion that an essential feature of an international employment policy must be this acceptance by the countries of the world of a duty both towards themselves and towards other countries to maintain a high and stable level of demand for goods and services. We are also realistic enough to realise that it is not 100 per cent. certain that these policies will be 100 per cent. successful. If I may express a personal opinion for one moment, may I say that, in view of the realisation of this problem that is now showing itself in all the countries, of these official reports to which I have referred, of the general climate on this subject, I do not myself believe that there will be another depression that will go so far or last so long as the miserable experience of the early 1930's. But we, not out of any altruism but for our own interests, entirely agree that we should not lay our plans on the assumption that there will be 100 per cent. success immediately in all these domestic policies; and we hold, therefore, that there must be in the international settlement which we are now devising sufficient escape clauses, let-outs, special arrangements, call them what you will, which will enable those countries which are adopting internal measures for full employment to protect themselves against a world depression if such a world depression should show itself; and we believe that the sort of protection that one has got to have there is concerned, of course, with the country's balance of payments.

I would like to emphasise at this moment a point which was
made by the delegate for Canada, namely, that the settlement which we are in the process of devising already includes a number of safeguards of this kind. I should like to refer myself to four, not all of which are concerned with the proposed international trade organisation; some of which are concerned with the International Monetary Fund and the financial settlement which has already been in large measure devised.

If we compare the future with the past and think of our experience in the 1930's and what may happen hereafter, the first point which I would have in mind is that while during the 1930's countries had very little control over capital movements, in the settlement which we are now devising every country is free to prevent the export of capital. Now, this is not sufficient, but it is very important in our view; that is to say, if there is another world depression, countries need not find their balance of payments problems made even more difficult than they would otherwise be by a flight of capital; they are free to control such a flight of capital, and this country certainly would control such a flight of capital.

The second point which we would like to emphasise as already existing in the present proposed set-up is the arrangements under the International Monetary Fund for the fixation of exchange rates. Under the articles of that agreement a country which is in fundamental disequilibrium will have the right to depreciate its currency, and, what is equally important as we see it, a country which is not in fundamental disequilibrium will not have the right to depreciate its currency. If one casts one's mind back to the 1930's and thinks of that principle being applied to the history of those times, I think one can realise of what essential importance it is.

Our third point is the point to which the delegate from Canada has already called our attention, namely, that under the
trade proposals as they stand at present there will be arrange­ments whereby a country which is in balance of payments difficul­ties will be allowed to restrict its imports, and again I would say what is of equal importance, a country which is not in balance of payments difficulties will not be allowed to restrict its imports.

Both these arrangements are, of course, of extreme importance from the point of view of preventing a country from exporting unemployment by refusing to buy goods or by depreciating its currency when it really already has a favourable balance of pay­ments. They are of equal importance in making it unnecessary for a country to import unemployment by going on importing goods or by refraining from adjusting its exchange rate when its balance of payments has been put seriously and adversely out of equilibrium by a failure of other countries to maintain the general level of payments.

The fourth arrangement which already exists and to which again the United Kingdom delegation would attach very great importance is the Article 7 of the International Monetary Fund, the so-called scarce currency clause, to which there is a cross reference both in the trading proposals and in the draft Charter which the Americans have put before us.
If a country were to have an uncontrolled depression at home and its demand for goods and services were to fall off seriously, so that it was buying nothing on world markets and was putting more and more on world markets, there would be a high probability that its currency would either become or threaten to become scarce in the Fund, and there is a safeguard already proposed, that the other then countries could restrict their imports from that country without restricting them from other countries.

Now, as I have said, we in the United Kingdom are convinced that there must be an adequate set of safeguards of this kind. We think it is a matter for discussion whether these are adequate or whether they should be reinforced by such other safeguards as have been proposed by the Australian delegate. I refer in particular to his proposals for the full use of foreign exchange resources, to his proposals that loans which are made abroad in order to make use of one's foreign exchange resources should be untied, and to his proposal that there should be a special let-out under the trade proposals to safeguard the position of a country which was being injured because of depression elsewhere. We think these are points which require careful examination.

There is one further point which I would like to make, Mr. Chairman - and in this connection I am not sure that there is a heading of our agenda under which it is very easy for me to discuss it. It falls, I think, between our first (a) and (b) and (c) and (d). I will make so bold as to discuss it now, if I may, Mr. Chairman, and perhaps in the further examination of our agenda which is going to take place in the proposed small committee the point which I am now making might be borne in mind.
We are realists enough in the United Kingdom to hold the view that in present circumstances full employment can be maintained only if there are adequate domestic measures for that purpose and if there are adequate safeguards to the balance of payments of the countries who are injured because of failure of other countries to undertake those domestic measures, but we do believe it is worth while paying some attention to what is possibly a more constructive line of approach in the long run, and to what is particularly important from the point of view of an international conference such as this. I refer to those elements, those germs, those seeds of international action directly aimed at preserving a high stable level of demand for goods and services in general.

I have four illustrative points to make here. The first has already been raised by the United Kingdom delegation at the first meeting of Committee IV of this Conference. I refer to positive action that might be taken in the sphere of commodity policy to stabilise the demand for primary products. I think the delegate from India raised a point this morning which was very closely connected with this. He said that full employment as it had been proposed and discussed was of primary relevance to the highly industrialised countries, but with countries which depend to a large extent upon the production of primary products, of agricultural products, the position was a bit different.

Now it is our view that a very considerable contribution might be made to the solution of this problem by such international measures as buffer stocks or similar devices for the stabilisation of the demand for primary products, and we think that in any international employment policy we should not forget such possibilities, although their discussion in detail is no doubt more relevant to the
work of Committee IV.

The second point of a similar nature which we have in mind is the possibility, with regard to any international arrangements for the development of undeveloped countries, the industrialisation of unindustrialised countries, in so far as they require international plans for their finance or for their programming, that the timing of such projects of capital development might properly be considered from the point of view of stabilising the general level of demand for goods and services. This at least is a possibility which we think merits further consideration.

A third possibility is perhaps rather old-fashioned now, but may have some relevance in the future, I think - the possibility that by international co-operation countries might synchronise their internal credit policies so that funds were available on cheap terms, on good terms, for borrowing when they were required to stimulate the demand for goods and services at the same time in a number of countries.

The fourth possibility is this. If a country is maintaining a policy at home for full employment and is maintaining its demand for goods and services, and if there is a general depression in another country or in other countries, and its balance of payments becomes unfavourable because of the decline in the demand for its products, then it may be both in the interests of that country and it will certainly be in the interests of the world as a whole if that country maintains its general level of demand for goods and services by going ahead with its own internal programmes of development, and, facing for the time being an adverse balance of payments, it will thereby go on taking more goods off the world's markets.
temporarily than it is putting on the world's markets, and it will thereby help to maintain the demand for goods and services in other countries, and it will itself be maintaining full employment by using more of its resources, not for export, but for building up its own economy internally.

We are not proposing that any country should be asked nor that it should be demanded of any country that it should do this. We suggest merely that if certain countries wish to do this, it will be in the world interest that they should do so, and that it is a matter worthy of examination as to whether the flow of capital that will enable them to finance this adverse balance of payments which they are willing to face for the time being could not be facilitated.

These, Mr. Chairman, are merely examples of subjects which we think worth while putting down, as it were, on the agenda for examination, as to whether there are not international measures of co-operation which might directly help to maintain the demand for goods and services. I think that, Mr. Chairman, is all I want to say on items (a) and (b) of our agenda, but I would like to end up merely by repeating the sincere and great interest of the United Kingdom in the solution of this problem and of the importance which it attached to it, and it is our hope that this conference will make a great contribution to this subject, through this Committee, and that we may be able to end up with an agreed set of ideas as to how this subject can really be tackled.

We agree with the view expressed by the Australian delegation, that to maintain demand in this way is an essential pre-requisite of an enduring and lasting commercial
policy for removing trade barriers. We sometimes feel that people suggest that we are being asked to sit on the horns of a dilemma and to choose between maintaining the general level of demand for goods and services, and so expand international trade, or sit on the other horn, very uncomfortably, and remove trade barriers and so expand the demand for goods and services. We, Mr. Chairman, do not regard it as sitting on the horns of a dilemma. We regard it as standing firmly on both legs in a well-balanced position, maintaining the total demand for goods and services and clearing the barriers to the channels through which they have to flow, and I think the United Kingdom delegation will play an active and constructive part on both those legs.

MR. G.P.J. STEYN (Union of South Africa): Mr. Chairman, we in South Africa have perhaps been more fortunate in the past than certain other countries represented at this conference, in that the gold-mining industry which constitutes the mainstay of our economy has had a peculiarly stabilising effect on general economic conditions in South Africa, and has to that extent more or less softened the impact on our country of cyclical fluctuations in other parts of the world.

We have, therefore, not yet felt the need to make a detailed study of the best ways and means that could be applied by us with a view to maintaining a high and increasing level of employment within our borders. We believe, however, that on the whole there will be much sympathy for and general agreement with the Australian delegate's point of view that a reduction of the existing barriers to international trade in itself will not automatically lead to the much desired increase in the
exchange of internationally-traded goods and services unless effective employment measures are introduced by countries to ensure that their populations will obtain the means with which to acquire such goods and services, and that, once having obtained the means with which to pay for their requirements, are given reasonable freedom to apply such means towards the satisfaction of their individual desires.

As has been pointed out by my Canadian colleague, the reduction of barriers to the free flow of goods and services between the nations of the world constitutes only one part of the picture, and it is unlikely that the general objective which we have set ourselves to achieve will ever be realised unless account is taken also of the other equally important part of the picture, namely, the maintenance of a high volume of purchasing power in the hands of those consumers who, in the end, must be instrumental in bringing about the much-desired increased volume of trade between countries as a result of the satisfaction of their demand for the goods and services which figure in international trade.

From this point of view, therefore, the South African delegation would probably be willing to consider the American draft of the insertion in the Charter of a specific provision to the effect that a member which considers that its economic interests are being adversely affected by what it considers to be the persistent failure of any other member to give effect to the general undertakings under Chapter III of the Charter relative to the maintenance of high and rising levels of employment should have the right to ask for the discussion of its complaint, in the first instance, with the particular member which appears to be in fault, and, failing
satisfaction of its requirements, to have its complaint discussed under the sponsorship of the proposed International Trade Organisation. In such a Conference, as we visualize it, there will prevail an enquiring spirit, a desire to find the inner truthfulness, and from it will emerge recommendations of international economic statesmanship.

We do not think, however, that it would be prudent to embody in the proposed Charter specific clauses providing for the institution of retaliatory measures against the country which appears to have neglected its obligations under Chapter III of the Charter. We believe that at this stage of political and economic history it would hardly be possible in an international instrument to go beyond the recognition of the principle of full employment. We doubt whether we could expect more than the acceptance by sovereign governments of the unquestioned ideal of full employment and of the provision of machinery for discussion, and eventually for recommendations, should a member be thought to be faltering.

One final word I would like to add, Mr. Chairman, and that is, that spelling out what we mean by high and stable levels of employment, we think we should bear in mind the different interpretations which countries may attach to those terms. We have heard this morning the Indian delegation stressing that for India the important thing is an expanding use of resources. They feel it should be recognised that circumstances in India are different from those in other countries. Similarly, there may be countries where large sections of the people are still at an early stage of development - people who may have other ideas of full employment or even of employment than we have.

Thank you, Mr. Chairman.
Mr. ERIK COLBAN (Norway): Mr. Chairman, the Norwegian delegation feels that the time has come when we ought to outline very thoughtfully our point of view on this most important topic of full employment. I think I can say we would be prepared to accept in principle the whole basis of the American draft Charter. There are one or two drafting amendments to which we might come back if the occasion arises.

In addition to that, I have listened with particular interest to the speech of the Australian delegate this morning, which contained a number of additional points which to my mind merit a very close study. Generally speaking, I think I agree with most of what my Australian colleague said, but whether it can be brought out in detail and transformed into treaty commitments is another question.

I am happy to notice that all round the table, in so far as the delegates have spoken, in general I meet an understanding of the paramount importance of combining arrangements for full employment with the removal of trade restrictions. They are two sides of the same most important problem. The British delegate made this particularly clear.

I have very little more to add, Mr. Chairman. We just wanted to indicate our preparedness to contribute towards the aim of this Committee.

MR. P.S. LOKANATHAN (India): Mr. Chairman, I should like to make a few further observations. I recall that Mr. Coombs, in his admirable statement this morning, emphasised the obligation of developed national economies to maintain effective demand, and pointed out how, in the event of that not materialising, it should be open to other countries
to find certain escape clauses, and he particularly stressed the point of balance of payments. On the whole, his view finds support with the Indian delegation, but at the same time it seems to us that that is only one part of the problem.

MR. KUNOSI (Czechoslovakia): Mr. Chairman, is there no chance of stopping this noise outside?

THE CHAIRMAN: It is very annoying, but after all it is finding full employment!

MR. P.S. LOKANATHAN (India) (Continuing): Mr. Coombs laid stress upon the obligation of under-developed countries, namely, that it is the duty of under-developed countries to take all measures to develop their resources, but if that function is to be adequately fulfilled it is absolutely essential that these countries should have certain instruments for the purpose, and, therefore, just as in the case of failure on the part of developed economies to maintain their employment, certain safeguards similarly should be provided for the under-developed countries, in order that the under-developed countries may effectively use their resources, they should also have the same instruments.

As most of you may be aware, India is a great believer in economic plans, and although the final shape of economic plans in India has not emerged, there is no gainsaying the fact that the country is not going to have the old free price system, but is going to adopt some form of economic plan. It may be that through the channel of balance of payments we can solve some of the difficulties, but even before the use of balance of payments it may be essential for us to have instruments developed for the purpose of helping our industries, such as the provision of subsidies or limitations on imports, and so on. These may become essential even
before we adopt the method of balance of payments, and therefore it seems to me that before the function which these undeveloped countries should undertake can be properly discharged, those instruments of control in relate to trade must also be dealt with, and not regarded as a mere concession; they should be regarded as part and parcel of this very obligation. That is the first point that I should like to make.

The second point I should like to make is this. We have been stressing very much the exporting of unemployment. I think there are few in this hall who would say a country is justified in having recourse to measures the result of which would mean unemployment elsewhere. That is not at all desirable, but at the same time it is necessary for us to be clear what we mean by the export of unemployment. In my opinion—and I think most of you will agree—the basis of economic progress is the creation of factors for the prevention of unemployment, and if the proper adjustment is made it should be possible, not merely not to have unemployment, but to have more and more employment. Applying that same principle in the international sphere, it is clear that a country which is undeveloped and seeks to develop is likely to cause immediate unemployment in particular countries or in the case of particular industries of other countries, but we have no doubt that, provided the selection of industries or the selection of resources for development is properly made, there should be no real unemployment, taking the whole of the rest of the world into account. That is to say, it is not merely a case of undeveloped countries establishing new industries; it implies also an obligation on the part of developed countries to make readjustments in terms of the requirements of the whole world, and therefore the obligation to adjust
one's own country in the light of all undeveloped
countries must also be undertaken. Therefore, in the
light of that line of thought, although we can admit in
principle that no country should be allowed to export
unemployment, I should like clarification of the point.
It is essential we should have it, because it is likely
to be misunderstood otherwise. Any industry which
Australia or Canada or India establishes might cause
disturbance in other countries, but that is no justifica-
tion for saying that those countries shall not have
recourse to such measures.

The third point is this. Mr. Coombs drew pointed
attention to the maintenance of effective demand, and I
think it is a very correct view, which I fully endorse.
At the same time, effective demand can be maintained
only when there is a balance between manpower and
resources. As you know, this balance between manpower
and resources is the real world problem today. There
are countries which are heavily over-populated, with
inadequate resources, and no amount of development of
those resources can raise the standard of living of the
people living in those countries.

I am quite conscious that this is a very much bigger
issue than can be raised here, but at the same time I am
only pointing out that this unequal distribution of manpower
and resources should not be rendered more unequal by any
measures which any country may adopt. Measures as to
immigration are the order of the day in many countries,
but it is also to be noted that even in those countries
which are prepared to allow manpower to come from other
countries it is not done on any rational basis. Really
speaking, just as the barriers to the movement of goods and
services and so on is one of the objectives of this organisation, it should also be possible to remove, as far as possible at least, unreasonable restrictions on the movement of labour.

This, in the opinion of the Indian delegation, is a very important matter, and while it is impossible for us not to grant complete freedom to each country in the development of its immigration policy, it is equally clear that no permanent progress can be obtained, no permanent improvement in the welfare of the common man in the whole world can be effected until the impediments to the free flow of labour from one country to another are mitigated. I think that should also be brought up in the employment policy programme which we are going to lay down in this Charter.
MR JOHNSEN (New Zealand): Mr Chairman, New Zealand is in general accord with the views already put forward, particularly those advanced by the Australian delegation respecting the necessity for the adoption of the policy of full employment not only in countries fully developed industrially but also in those which are as yet relatively under developed. We think that it is only by achieving and maintaining such a position that the general objective of the proposed Charter can be obtained. From the point of view of creating an effective demand for the products of primary producing countries the importance of a high and stable level of employment in the more important industrial nations is apparent. The demand for such products will in turn give rise to an increased demand from primary producers for industrial goods, thereby creating additional scope for production and employment. We think there is general agreement on that issue and it should be possible without much difficulty to formulate a set of principles which, carried into effect, would lead to increased trade and employment.

On the question of utilisation for the purpose of imports of overseas funds which accrue from exports we are in agreement with the suggestion put forward by Australia that such funds should be utilised to the maximum. It would be necessary, however, we think, to allow for payments in respect of overseas debts or other commitments of a special nature which have to be met.

The only other point that I wanted to refer to at this stage was with respect to the question of consultation with the organisation in the event of a particular country or countries not fulfilling their undertaking. It is possible that the time occupied through such consultation might be fairly lengthy, and in such circumstances it is felt that consideration
should be given to the making of provisions which would allow the member country whose trade might be seriously affected by the demand for its products taking immediate action to safeguard its position without prior consultation, but subject to the organisation being informed as early as possible of the action taken and the reasons therefor. This is the matter that was referred to by the United Kingdom delegate, and it is quite possible that the position will be covered by the section dealing with balance of payments. If any provision is to be made in this particular section that aspect of it should also be covered.

MR. PIERSON (U.S.A.): Mr. Chairman, for my Government I should like to welcome the remarks that the other delegates have made here today. I feel that they confirm the belief that we have held and hold that all the nations represented here are seeking a common goal. I do not intend to take very long with my remarks this afternoon; I should prefer to emphasise certain points that I hope you will bear in mind.

First, I want to emphasise very strongly that the United States also takes a strong affirmative position on the subject of employment and takes a strong affirmative position on the need to integrate and balance the progress that we make in the field of employment, in the field of trade, and also in the field of the development of relatively underdeveloped countries. I should like to remind the delegates that the United States Government is recommending a commitment that each member shall take action designed to achieve and maintain full employment within its own jurisdiction through measures appropriate to its political and economic institutions. In this connection I would like to refer very briefly to legislation in the United States on the
subject of employment, because I daresay it is not as familiar to all of you as it is to some of us.

In the spring of the present year the United States adopted legislation which is known as the Employment Act of 1946. This law establishes a policy and responsibility in the Federal Government to do whatever it can, consistent with its other obligations and in a manner designed to promote what we call free competitive enterprise and the general welfare, to achieve and maintain conditions in which there will be operated useful employment opportunities for those able, willing and seeking to work; and then there is the additional phrase, "to promote maximum employment, production and purchasing power". That is the general policy. The machinery established with the hope of carrying that policy into action consists of a small Council, called the Council of Economic Advisers, to advise the President; a report that the President must send every year to our Congress analysing the situation and making recommendations for legislation if he sees fit; and a joint Committee in our two Houses of Congress to consider the President's recommendations and make its own report to our Senate and our House of Representatives, giving its findings and recommendations, so that they and their various legislative Committees may have it for general guidance.

Now, it is clear that I would be far less than candid if I said that this assures that the United States will succeed in continuously maintaining full employment. It does not provide assurance but it is nevertheless, as we regard it, a landmark in the history of the United States, because for the first time it brings this great subject of full employment into the realm of co-ordinated federal action and broadly lays down a line of policy which it will be the effort of the people and the Government to try to carry out.
The day before this Conference here in London met was the first day that the Council of Economic Advisers met in Washington under this law, and I was specifically asked by the Chairman of that Council, Mr Lewis, to convey to you here the fact that the Board does not know specifically what action it intends to take but is entering on this obligation in good faith and is convinced that international obligations such as the United States has already undertaken in signing the San Francisco Charter are an important aspect which will be continually borne in mind by that Board as it proceeds to advise the President on policy designed to maintain employment opportunity for those able and willing and seeking to work.

In addition to that article we have, as you know, recommended a second commitment designed to avoid the use of policies by one country that may interfere with the employment of another country and create unemployment in that other country, or that may interfere with expansion of trade. After all, it is a balanced undertaking. We wish to advance on several fronts simultaneously. Therefore we have recommended an agreement that no member shall adopt measures which would have the effect of creating unemployment in other countries or which are incompatible with undertakings designed to promote an expanding volume of international trade and investment. That may not be the ideal way to phrase the thought - I find the thought expressed by other Governments in slightly different language but that might equally well be said: that no member shall adopt measures which will have the effect of restricting trade or creating unemployment in other countries, provided that this undertaking shall not be construed to limit the adoption of any measures expressly permitted under the rules of the International Trade Organisation. Obviously, what we wish to accomplish in
other parts of our work here should not be made impossible by any additional commitment: everything must be integrated.

We have also given thought to the problem of the recourse that may be necessary through human failing, as Dr Coombs put it this morning. It may not turn out that we shall be one hundred per cent successful in our undertakings. With regard to the possible failure of one country to maintain full employment and the damage that that may do to another country or other countries, we have provided, as has been mentioned here by several delegates, a measure in Article 20 which permits countries getting balance of payments difficulties to take exceptional steps to protect themselves. That is quite a long and quite a broad article. Furthermore, in Article 22 provision parallel to the scarce currency provision in the Fund provides a further legitimate loophole if the country is damaged by a failure of another country to maintain full employment and that affects the damaged country through its balance of payments or through its exchange problems. We are inclined to feel at this stage that those provisions do provide adequately for damage that may be incurred through failure of effective demand. Additionally (though I will not dwell on this now) we have made provision in case a country feels it is damaged by the type of employment measure adopted by another country. There are in a number of places—in Articles 18, 20, 25, 29 and 30—specific references to recourse that a country may have if it feels not that the other country is failing to maintain full employment but that it is being damaged by the other country's choice of methods.

In general I will say in conclusion that it is our feeling that if there are other ways in which a country feels that it is damaged by a second country's choice of methods
we are agreeable to the idea that the country should be able to consult the International Trade Organisation, and the other country whose action has occasioned the difficulties should be prepared to consult at the same time, and the International Trade Organisation should make recommendations that may be appropriate to the situation.

THE CHAIRMAN: Are there any other comments? If not, we will pass to items (c) and (d) of heading 1 of the agenda. Does any delegate wish to speak on these two items, (c) and (d)? Item (c) is "Consultation and exchange of information"; item (d) is "Assignment of functions".

DR COOMBS (Australia): Mr Chairman, as I understand it, there is a considerable body of agreement in relation to those two items, particularly in so far as they affect the necessity for consultation and the exchange of information between members concerning the progress which they are achieving in carrying out the general undertakings referred to in (a). The critical point, however, does seem to be related to the type of organisation which should carry out international functions in relation to these undertakings; and, since we have put forward a specific proposal here which I think does differ to some extent from what was contemplated by the others of the various documents we have received, I think perhaps it is as well that I should refer to it briefly.

The United Nations' primary organisation for dealing with economic matters is, of course, the Economic and Social Council, and that Council has set up underneath it certain Commissions, one of which in particular has functions closely related to the subject matter of these undertakings. I think its title is the Economic and Employment Commission. We are not entirely clear as yet what the functions of those
Commissions will be. It is clear that they will have wide responsibilities for investigation, for report and possibly for recommendation. It is hoped by us at any rate that they will develop some of the co-ordinating functions in relation to the work of the various specialised agencies to which reference has been made from time to time during our discussions. We were particularly interested in the suggestions put forward by the delegate of the United Kingdom as to possible lines of international action designed to stimulate international demand for goods and services in general should it show signs of flagging; and we believe that a lot can be done along the lines suggested. The organisation of action along those lines would, however, be a task for some body which had general rather than specific functions, and we hope that it will become the function of the Economic and Social Council or one of its appropriate organisations to exercise that co-ordinating function and perhaps to be the instrument whereby international action designed to maintain effective demand can be taken through whatever channels appear to be most appropriate to them.

From what I have said it may be puzzling delegates as to why we are not prepared to accept the suggestion put forward in the American Charter that the functions in relation to the employment undertakings should be referred to the Economic and Social Council. I think I can explain our reasons very briefly. First of all, as I said, so far as we can see, the functions of the Economic and Social Council and its instruments are limited to investigation, report and recommendation, and they do not appear to be appropriate, therefore, to any executive action which may be necessary as a result of these undertakings. We would wish, therefore, while referring to them matters appropriate to their
functions, investigation, report and recommendation, to reserve to executive organisations those actions which are executive in character; and we would wish, therefore, to reserve to the International Trade Organisation in particular any executive action arising out of these undertakings which is associated with the subject matter with which the International Trade Organisation is concerned. The prime purpose of the International Trade Organisation is presumably the supervision and the implementation of the various sections of the Charter as it will finally be determined; and we have suggested that there should be some right of review of undertakings accepted under that Charter in the event of persistent failure, for whatever reason, of individual countries effectively to carry out their general undertakings. We would wish, therefore, that the International Trade Organisation itself should be the judge of whether, in a particular case where a complaint has been made, the complaining country is justified in being relieved of any of its obligations or having any of those obligations modified. Similarly, we think the International Trade Organisation should be the body to decide whether such modification of obligations should be limited to the complaining country or whether the circumstances are such as to warrant the extension of their modification to countries other than the original complaining country. Briefly, we would suggest that there should be effective machinery for consultation and exchange of information; that the functions in relation to the organisation of consultation, the determination of facts in relation to employment and similar undertakings, the co-ordination of action taken by various special agencies, and the organisation of any international action designed to offset the effects of rising unemployment,
should be the responsibility of the Economic and Social Council; but, in so far as there is a request by an individual country for its obligations arising out of the Charter to be modified because of failure to carry out general undertakings relating to employment, the decision as to whether that modification of obligations can be granted to the individual country or to a greater group of countries should lie with the International Trade Organisation itself, which is the body concerned with the implementation of those general obligations under the Charter.

MR MEADE (U.K.): Mr Chairman, in the view of the United Kingdom it will be impossible to be very precise on this subject of the assignment of functions until we know what functions we have to assign, and these two questions which we have been discussing previously in regard to the general policy we want are closely bound up with this question we are now discussing as to what organisation should carry out what duties. But, broadly speaking, the present view of the United Kingdom delegation is, I think, this. It is our view that exchange of information, not only of statistical information about what is happening to employment in different countries but exchange of information between countries about domestic employment policies and problems in general, may be of very great use, because, although the main action will no doubt have to be domestic, we are sailing into uncharted seas and this is just the sort of way in which Governments, by exchanging ideas about the problems they have come up against and the efficacy of the various policies they have undertaken to meet those problems, might be enabled to gather information which might be extremely useful. That is one function which we think requires to be performed internationally. Another function which we think has to be
performed internationally is (how shall I put it? I try to avoid that horrible word "co-ordination" but I cannot, Mr Chairman) the co-ordination of the activities of the various specialised agencies which will be concerned in this matter. There are a great number of them, some of very great executive importance, like the International Monetary Fund, the International Bank for Reconstruction and Development, and the proposed International Trade Organisation; and there are other bodies like the International Labour Organisation and the Food and Agricultural Organisation which will be able to contribute a great deal of expertise and knowledge on these subjects. Now, it is our view that both these types of function there can be no question that the International Trade Organisation is not the proper body. It will require a quite different type of expertise, quite a different type of function from that of a body which is primarily concerned with commerce and trade and commodities. We think that the United Nations, through the Economic and Social Council, through its Economic and Employment Commission and the Sub-Commissions of that Commission on Employment, and so on, is the right body to deal with this exchange of information and co-ordinating activity.

There is one big problem that would remain but a problem that depends upon the decision that is taken as regards the need for a special lay-out in the articles of the proposed Trade Organisation if a country considers that it is injured by the failure of another country to fulfil its employment obligations and requires a let-out from its commercial obligations in order to meet that threat.
We have, first of all, got to decide whether we want such a let-out or not. If we do, the United Kingdom thinks that that should be examined, and it is not at all certain that it is necessary, but if it is, we think that it should be examined. If we come down to the view that there should be such a let-out, then we think that we have to find a very careful balance between the functions of the trade organization and the functions of the Economic and Social Council in this matter. Broadly speaking, I think that this would be at least the provisional view of the United Kingdom. It is we think the duty of the Economic and Social Council, or the appropriate organ of the United Nations, to agree on a general determination if there were a serious failure on the part of a country to carry out its obligations to preserve full employment; whether that was causing trouble to other countries which they could not meet by other means at their disposal; whether, therefore, they had a case for exemption from some of their commercial obligations. We would, of course, however, agree that it must be for the trade organization to lay down the precise form and the scope of the let-out which should be given and which would presumably take place under a special article of the trade organization itself. I think that is roughly how we see the balance of functions.

THE CHAIRMAN: Are there any other comments or observations? If not, we have, so to speak, provisionally disposed of the first part of our agenda - very provisionally. The speeches made by the different delegations, both in the morning session and in this session, are most useful. They have helped us to understand better the views which they had previously expressed, and they have also thrown out some new points which are worth considering. Now, if I might be allowed to add a word or two, I should like to point out, not by discussion though, that so far as the United Kingdom delegation suggestions are concerned it strikes me that as regards the question of buffer stocks arrangements for primary products, while this question undoubtedly has its bearing on the question of employment, I am wondering whether this question as it is should not first be dealt with by Committee 4 dealing with Commodity Arrangements. That is one point.
Then as regards the two points which were brought before us by the Cuban Delegate, they are, if I understood him correctly, the improvement of working conditions and the question of social insurance. I really do not know whether they have not been, and are not being, dealt with by the International Labour Organization on a tripartite basis. I really do not know whether this Committee is prepared somehow to duplicate the work of the International Labour Organization in these matters, but I have no definite opinion of my own. I simply want to remind the Committee of these viewpoints.

MR MEADE (UK): Mr Chairman, as far as dealing with buffer stocks in Committee 4 is concerned, the United Kingdom Delegation are in entire agreement with your suggestion; but my only desire was that this Committee should take note, as it were, of the importance of that subject from the point of view of the maintenance of full employment, but that the work should be done in detailed committee form is exactly what the United Kingdom Delegation would wish.

MR FRESQUET (CUBA): Mr Chairman, I just want to point out that the Cuban Delegation brought out the question of labour conditions and the securing of social benefits for labour in this case, because in our opinion this affects international trade in the way I pointed out at first, that falling capital investment has tended to go to these countries seeking high profits and in that way harming the position of other countries which try to develop by using fair methods towards their labour. In the second place, because the merchandise produced in such countries goes to the world markets with cheaper price bases represented in that way, with disloyal competition to the countries who do not use their labour in this way.

COMMITTEE SECRETARY: Mr Chairman, it is a basic conception of the International Labour Organization, which is a recognized specialized agency of the Economic and Social Council, to eliminate, by the Convention which is ratified and agreed by the members of the International Labour Organization,
the competition caused by inefficient or by failing social security measures; that is to say, the idea of the International Labour Organization is that everywhere there should be the same social security measures, so that there would be no competition on this basis, and that there would be nothing to stop social progress. As our Chairman has said already, we have the feeling that it is rather the concern of the specialized agency than of the future trade organization.

MR FRESQUET (CUBA): The Cuban Delegation regrets to inform the Committee that in no way can they agree with the opinions already expressed by the Chairman and by the Secretary of this Committee, and that it reserves the right to present, at the appropriate moment, a corresponding amendment on this point.

MR KUNOSI (CZECHOSLOVAKIA): I want to add that I agree fully with the Cuban Delegate, and I feel that all the more because no reference is made in the proposals as they are presented to the importance of the fact that full employment only under certain conditions has got an important bearing on the problem of enlarging foreign trade. That is the reason why I feel that not only the points made by the Cuban Delegate but the other points, together with further qualifications, should be made concerning the paragraph.

MR IGONET (FRANCE) (Speaking in French: Interpretation): I should like simply to determine whether in the view of the representative of Cuba it is a matter of raising the problem of the conditions of cooperation of the workers, that is to say, the labour in backward countries and the more advanced countries which invest capital in those backward countries. I understand that his problem is that in the matter of this cooperation the profit which would result from an increase in the productivity of the workers in the backward countries does not come back to them in sufficient quantity. But it seems to me that if the competition between capitalists who seek to invest in backward countries is real, that is to say, if there is the possibility for the workers of the country which wishes to be equipped to
discuss the possibilities of cooperation with capitalists, this fear would be less well founded. I should like to know whether this is what the Cuban Delegate had in mind.

MR FRESQUET (CUBA): The Delegation of Cuba had in mind the right that will be accorded as a standard to any country to the terms of the most favoured nation clause; and in that way countries using those low conditions for labour will go into the international markets with the same benefits that some other nations that are not using them have. In reference to what the Delegate of France just said, if I understood him aright through this telephonic system that is established in this Committee, I would say that we have in mind that capital investment will try to use the rights that the Charter will grant to every country, selecting the countries where they can use their money to get high profits or higher yields on that money. If a foreign country is confronted with similar conditions and opportunities for investment they - no doubt about it - will go to countries in a backward condition, not seeking the possibility of increasing their standard of living, but seeking the opportunity of continuing the low standards of conditions in those countries, at the same time getting more benefits for themselves.

THE CHAIRMAN: Are there any other observations or comments on those two points? If not, we have come now to the stage of appointing a sub-committee for the purpose of working out a more detailed agenda, as has been suggested by the United States Delegation and approved by the Committee. May I add in this connection that I presume that the functions of this sub-committee are in fact not only to work out such an agenda, but also to work on this comparative table, indicating the United States, Brazilian and Indian proposals regarding employment E/P/T/C.I/PV/2, 19th October, 1946, that is to say, in order to facilitate and simplify our work we might find it useful to have such a document in the form of a synopsis so that all the proposals, not only those of the United States, Brazil and India as well as those of Australia, but those of all other Delegations should be grouped together, so that we can at once have a bird's eye view of what those
proposals are, and we would be in a better position to compare one with another, to compare the provisions of one, in the American charter, for instance, in parallel and in conjunction with the corresponding provisions in the Brazilian charter or some other documents. Now, if this meets with your wishes I would suggest that there will be two functions for this sub-committee: one is to work out the detailed agenda to include all those points which have been raised in the course of our general discussion, and, secondly, to prepare another synopsis which will include all the provisions contained in the proposals of a number of various Delegations. If this is the case, I would suggest that before this sub-committee meets the Delegates be good enough to reduce, or crystallize - a very difficult word! - their thoughts in the form of articles, provisions or recommendations. Have I made myself clear?

MR MEADE (UK): Mr Chairman, I think that it is quite possible that the United Kingdom would like to put something in, but we should like a little time to digest the general suggestions that have been made in this general discussion.

THE CHAIRMAN: Of course.

MR MEADE (UK): If this synopsis is being made it may be that we should like to put something in after it has been made, or, if possible, before it is finally made; but I hope that it will be understood that the making of this synopsis would not preclude any later proposals, drafts or suggestions that any Delegation might like to bring forward.

MR DEUTSCH (CANADA): Mr Chairman, had you in mind that the Committee should simply make a synopsis of all the existing proposals, or might it go further and see, where there seems to be agreement, and in that case might not they try to bring in a common text rather than repeat five or six times the same clause in different words but meaning the same thing? It might be useful where there is agreement between the proposals to try to get in a common text. Where there is no agreement, of course they will have to show different proposals.
THE CHAIRMAN: I think that is a very good idea. I notice that there are quite a number of identical provisions and this augurs very well for the work of the Committee. As to the remarks made by the United Kingdom Delegate, I can assure him that the preparation of another synopsis does not preclude a third synopsis being made. I take it that that is the general desire of the Committee, and I would now proceed to announce the composition of the sub-committee, subject to your approval.

Australia,
Brazil,
India,
United Kingdom,
United States of America.

MR KUNOSI (CZECHOSLOVAKIA): Mr Chairman, I should like to propose that either the French Delegate or the Cuban Delegate should be a member of this sub-committee - or perhaps both.

THE CHAIRMAN: Shall I suggest that the Cuban representative should be a member of the sub-committee, because the Cuban representative has proposed something very definite?

MR IGONET (FRANCE) (Speaking in French: Interpretation): I would support the nomination of the Cuban Delegate.

THE CHAIRMAN: Thank you very much. Therefore the sub-committee will be composed of representatives of Australia, Brazil, Cuba, India, the United Kingdom and the United States of America. Now, do I take it that it will be also under my Chairmanship? (Agreed)

MR MEADE (UK): I should like to suggest that the sub-committee should be empowered, as no doubt will be taken for granted, to call on any other Delegation for views which it may wish to consult in the course of its work.

THE CHAIRMAN: Yes, certainly. Now, I would suggest that the sub-committee meet on Wednesday, so that in the course of tomorrow, Tuesday, we can think over the position, and if any of the Delegates wish to crystallize their thoughts in the form of writing, will they kindly send it to the Secretary in the
course of tomorrow?

MR MEADE (UK): Crystallization is a difficult process as well as a difficult word; and as far as the United Kingdom Delegation is concerned one day may be a little short. Thursday I think would certainly suit us better.

THE CHAIRMAN: We are to have a meeting of the Heads of Delegations on Thursday.

DR. COMBS (AUSTRALIA): It would suit us better also, since on Wednesday the Second Committee will be meeting, which has a very definite overlap with the work of this Committee, and a number of the people concerned might desire to be at the meeting of Committee 2.

THE CHAIRMAN: Then how about Friday: is that agreeable to you?

DR. COMBS (AUSTRALIA): Yes.

THE CHAIRMAN: Shall we say Thursday morning at 10.30?

COMMITTEE SECRETARY: Mr Chairman, will you leave the hour of meeting to the Secretariat?

THE CHAIRMAN: Yes. In the meanwhile we tentatively agree on Thursday. Then, of course if there are other Delegations which want to send in their views in writing in a crystallized form they would be most welcome.

MR KUNOSI (CZECHOSLOVAKIA): May I ask when we can expect copies of the Verbatim report of to-day's meeting? May I also put forward the request, if my colleagues will agree with me, that it should be expedited and that we should get it as soon as possible?

COMMITTEE SECRETARY: Mr Chairman, the office here is able to submit the verbatim report in 24 hours.

DR. COMBS (AUSTRALIA): While we are on documents, may I refer back to a matter which I mentioned some days ago: that was the fact that at the time we were receiving only two copies of documents with restricted circulation, which makes a study of those documents by our Delegation very difficult. I regret to say that we are still receiving only two copies and the difficulty continues. Would it be possible for the Secretariat to provide a greater number of those documents?
Committee Secretary: Arrangements have been made to increase the number of copies of all documents.

The Chairman: Now, I think you have an announcement to make on the International Labour Organization.

Mr. Lokenath (India): We have a reference to an Australian document here, but we have not been supplied with a copy of it. I think it would be desirable to have it.

The Chairman: The Secretariat will certainly gladly supply those copies.

Mr. Goetzen (Netherlands): We have no copy of the Brazilian document.

Committee Secretary: The Brazilian document was submitted by the Brazilian Delegation itself and is a restricted document No. W.16. We will see that the documentation office get out more copies of these two documents.

The Chairman: The Secretary has an announcement to make.

Committee Secretary: Mr Chairman, there is before Delegates a document, W.17, a letter addressed to the Executive Secretary by the International Chamber of Commerce concerning arrangements to take part in the deliberations of four committees. I do not think that it is necessary to read the document, as I presume all Delegates have read it. If not, I will bring it to their notice. A similar letter was submitted to the Executive Secretary by the World Federation of Trade Unions; this document is not available, and if it is your desire I could read the second one. The second document reads as follows:

"Sir, I am instructed by the World Federation of Trade Unions to represent it at the World Trade Conference, and I should like to take part in the work of Committees 1, 2, 3 and 4. I should be much obliged if you would obtain the necessary authorization for me. As I shall unfortunately not be able to stay in London for the duration of the Conference, I should be glad if M. Rene Rous, who is permanently in London, could act as my substitute in my absence. For the same reason, I should like to receive all the verbatim records and reports of Committees 1, 2, 3 and 4. If the World Federation of Trade Unions wishes me to intervene..."
on any particular point, I will let you know in order that I may be given an opportunity to address the appropriate Commission.

Now, Mr Chairman, I should like to inform you that Rule 46 of the Rules of Procedure of the Preparatory Committee states:

"The provisions of the Report of the Committee of the Economic and Social Council on Arrangements for Consultations with non-Governmental Organizations, approved by the Council on 21 June 1946, shall apply to the meetings of the Preparatory Committee as appropriate. The committees of the Preparatory Committee may consult with the World Federation of Trade Unions, the International Co-operative Alliance, the American Federation of Labour and the International Chamber of Commerce, either directly or through committees established for the purpose. Such consultations may be arranged on the invitation of the working committee or on the request of the organization."

It was considered, Mr Chairman, that if they so desired this Committee might ask the non-Governmental agencies to submit their initial views in writing through the Executive Secretary. That could be done by the Chairman of the Committee, that is to say, either that a sub-committee could be established which in private meeting would meet the non-Governmental agencies and have their views, or, if it is the desire of everybody, that the Chairman of the Committee would establish contact with them. I bring this to your knowledge, Mr Chairman, and to the knowledge of the Committee.
May I add to this, Mr Chairman, for information, that this rule that I mentioned, Rule 4, is with regard to the application of the Report of the Committee on arrangements for consultation with nongovernmental organisations, which was adopted by the Economic and Social Council. The first sentence of the Rule applies Chapter 4 of the Report of the Preparatory Commission. The second refers to Chapter 5 of the Report of the Preparatory Commission. No power is given in Chapter 5 of the Report with regard to nongovernmental organisations; likewise there is no power under Rule 46 for such intergovernmental agencies. I think we could ask the Executive Secretary to reply in the sense that we would wish to have some written suggestion or some written views about points of special interest.

THE CHAIRMAN: Now, we have the requests from the International Chamber of Commerce and also the World Federation of Trade Unions seeking participation in this Committee. It has been suggested by the Secretary that the Executive Secretary should be requested to reply to those agencies in the sense that this Committee would welcome written statements of their views to be forwarded to the Executive Secretary, which I presume will be forwarded to the Chairman. I suppose this is the regular procedure.

Mr HELMORE (UK): Mr Chairman, if it would assist this Committee, perhaps I might say, not entirely as representing the United Kingdom, but as having been in the Chair on Committee IV on Saturday, that we had the same request and adopted that procedure of asking these nongovernmental bodies for written statements of the points they wanted to put forward, so that with those points before them the Committee could judge what would be the most appropriate method of consultation.

THE CHAIRMAN: Thank you. So the Committee stands adjourned.

(The meeting rose at 5.30 p.m.)