

FIRST COMMITTEE: EMPLOYMENT AND ECONOMIC ACTIVITY

EXTRACTS FROM THE REPORT OF THE SUB-COMMITTEE WHICH PREPARED
THE GENEVA TEXT OF CHAPTER II - EMPLOYMENT AND ECONOMIC
ACTIVITY

As requested at the Fifth Meeting of the First Committee, the Secretariat is circulating herewith, for information, extracts from the Report of the Sub-Committee of the Second Session (Geneva Document E/PC/T/95, Restricted) which relate to points at present under discussion in the First Committee. The numbering of Articles mentioned in these extracts has been changed to conform with the numbering employed in the Geneva draft of the Charter.

"Article 4

It will be noted that the Sub-Committee proposes the addition of a sentence to Article 4 referring specifically to the International Labour Organization. The Sub-Committee considered the various alternative versions of the sentence which had been proposed to cover co-operation with 'the appropriate inter-governmental organizations'. In the light of the discussion both in the Preparatory Committee and in the Sub-Committee it seemed appropriate to include a reference to the ILO. The inclusion of this reference would take appropriate account of the special position occupied by that Organization in this field without excluding co-operation with any other organization whose activities extend to the subjects dealt with in the Article.

One delegate discussed with the Sub-Committee the amendment proposed by his Delegation. In the discussion it appeared that the principal difference between the proposed amendment and the version as revised by the Sub-Committee arose over the use of such expressions as 'fair labour standards' and 'sub-standard conditions of labour' in the latter version. The Sub-Committee appreciated the difficulty in defining such terms precisely. The Sub-Committee considered, however, that such terms, when related to productivity as they are in the text, are valid and useful concepts, particularly when account is taken of the progress achieved by the ILO and other

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bodies in giving concreteness to those terms. One of the main reasons leading the Sub-Committee to recommend the retention of these terms is that they explicitly recognize the existence of a relationship between unfair competition in international trade and conditions of labour, particularly in the export industries, when such conditions can be shown to be below accepted minimum standards.

Article 5

The Sub-Committee has proposed a number of changes in Article 5 after an examination of the amendments proposed by several Delegations. The Sub-Committee considers that the revised version of this article describes more precisely than the previous text the situation which it is intended to cover and that the responsibilities of Members in such a situation are more clearly stated. In addition to certain drafting changes, the Sub-Committee would draw attention to the significant alterations proposed in the text submitted by the First Session and by the New York Drafting Committee.

The Sub-Committee has replaced the words 'fundamental disequilibrium' by the expression 'persistent maladjustment within the balance of payments'. In the view of the Sub-Committee the term 'fundamental disequilibrium' was not satisfactory for the reason that it appears in the Articles of Agreement of the International Monetary Fund with a special meaning which might not be always applicable to the conditions envisaged in this paragraph.

By a maladjustment within a country's balance of payments the Sub-Committee intends to refer to a situation in which an abnormal or undesirable relationship exists between the different items which make up that balance and in particular where a balance is achieved only by means of an undue movement of items of the type which enter into monetary reserves.

The characterization of the state of affairs as one in which the persistent maladjustment 'is a major factor in a situation in which other Members are involved in balance of payment difficulties' is intended to stress, firstly, that balance of payments difficulties are not necessarily caused by maladjustments within another country's balance of payments, and secondly, that the Article is intended to apply only when the persistent maladjustment is a major factor in the situation.

The Sub-Committee has expanded the phrase in the former text, 'handicap them in maintaining employment' to 'handicap them in carrying out the provisions of Article 3 without resort to trade restrictions'. This change is designed to make it clear that the
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purpose of the Article is that suitable action should be taken so that Members may be able not merely to pursue the objective of maintaining employment, production and demand, but also to do so without resorting to trade restrictions as a means of remedying their balance of payments difficulties.

The words 'while appropriate action shall be taken by the other Members concerned' have been added to make it clear that all Members involved in the situation have a responsibility to take what action they appropriately can to assist in overcoming the difficulties.

There are various means by which situations of this kind can be corrected, some of which have been indicated in Section E on page 5 of the Report of the First Session (E/PC/T/33). It seems desirable, however, that wherever possible, methods which expand rather than contract international trade should be employed. With this consideration in mind, the Sub-Committee has suggested the addition of the second paragraph of this Article.

"Articles 6 and 7

It will be noted that the order of the Articles numbered 7 and 8 in the New York draft has been reversed. This re-arrangement of the text resulted from the Sub-Committee's discussion growing out of amendments proposed by two Delegations. One proposal with respect to Safeguards for Members subject to External Deflationary Pressure provided for the convening of an inter-governmental conference by the Organization in such a situation and, where a Member considered that there had been unreasonable delay in this procedure, permitted that Member to take emergency action, which would have to be withdrawn if subsequently disallowed by the Organization. The other amendment suggested that affected Members might need to take action 'separately or in conjunction with other Members'.

The first conclusion of the Sub-Committee in considering these proposals was that the Chapter should be strengthened by providing that the Organization should initiate consultations among its Members if an urgent situation arose involving the international spread of a decline in employment, production and demand. Cases might arise in which the contemplated arrangements for consultation and planning of concerted action under the auspices of the Economic and Social Council would involve undue delay, thus leading to a further deterioration of the position of the Members affected and increasing the likelihood of their adopting restrictive measures of defense. It was therefore felt that, consistently with the

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authority of the Organization under Article 69 (b) to facilitate consultation among Members on all questions relating to the provisions of the Charter, a new paragraph should be added to the article dealing with Consultation and Exchange of Information, permitting the Organization itself to initiate consultations in such a situation. It also appeared logical, at this point, to transpose the two articles in order to emphasize further the desirability of seeking consultation for the purpose of resolving economic difficulties wherever possible without resort to release from Charter obligations.

With these changes made, it was agreed that the new Article 7 should be retained without amendment. The Sub-Committee noted the fact that the provisions of this Charter referred to in this Article include clauses in Articles 21, 23, 25-29, 40, 41, 59, 74, 89 and 90. It recognized in this connection that a serious or abrupt decline in external demand might constitute a situation within the meaning of Article 89, or the 'exceptional circumstances' referred to in paragraph 3 of Article 74. It took note of the intention of the Preparatory Committee as expressed in the Report of the First Session (E/PC/T/33), particularly in Section F on page 15, paragraphs 4 (b) and 4 (c) (1) on page 11, paragraphs 3 (1) on page 15 and Section D.2 on page 22, to insure that there be adequate safeguards in the Charter to meet situations referred to in Article 8, but to recommend non-restrictive solutions for such situations, if possible either through the Organization or through the assistance of other international bodies. The Sub-Committee endorses these views."