

FIRST COMMITTEE: EMPLOYMENT AND ECONOMIC ACTIVITY

REPORT OF SUB-COMMITTEE B (ARTICLES OF CHAPTER II
OTHER THAN ARTICLE 4)

1. At the sixth meeting of the First Committee, 8 December 1947, the Chairman appointed a Sub-Committee which was instructed to examine the amendments relating to all Articles of Chapter II with the exception of former Article 4 (see E/CONF.2/C.1/8/Add.13, and to prepare texts for those Articles.
2. Representatives of the following delegations were appointed members of the Sub-Committee: Australia, Canada, France, India, Italy, Lebanon, Norway, Mexico, Peru, Philippines, United Kingdom, United States of America.
3. M. J. ROYER (France) served as Chairman of the Sub-Committee.
4. The representative of the delegation of Denmark attended the meeting of the Sub-Committee when the proposal originating with that delegation was under discussion. The Sub-Committee also had the benefit of expert advice from the representatives of the International Labour Organization and the International Monetary Fund.
5. In the course of its deliberations the Sub-Committee examined the proposals appearing in the following documents relating to the Articles indicated:

Article 2

E/CONF.2/11/Add.4 (Peru)

E/CONF.2/11/Add.18 (Italy)

E/CONF.2/11/Add.28 (Mexico)

Article 3

E/CONF.2/11/Add.18 (Italy)

E/CONF.2/11/Add.28 (Mexico)

E/CONF.2/C.1/3/Add.4 (Philippines)

E/CONF.2/C.1/3/Add.7 (Norway)

Article 4 (Formerly Article 5)

E/CONF.2/11/Add.32 and E/CONF.2/C.1/7/Corr.1 (Peru)

E/CONF.2/C.1/3/Add.6 (Denmark)

Article 5 (Formerly Article 6)

E/CONF.2/11/Add.31 (Mexico)

Article 6 (Formerly Article 7)

E/CONF.2/C.1/7/Add.2 (Norway)

/6. It was

6. It was agreed that the amendment proposed to Article 5 (formerly Article 6) by the delegation of Mexico concerning the safeguarding of the rights of workers should be transferred to Sub-Committee A and discussed in connection with former Article 4. Accordingly Sub-Committee A has reported on this proposed amendment.

7. The Sub-Committee held five meetings and agreed to recommend the accompanying text to the First Committee for its approval in respect of the matters covered therein. On other points not covered specifically in the proposed text certain members, as indicated below, stated that in the full Committee, they might wish to have these points discussed further. In respect of the various amendments originally proposed the delegations concerned were able in most cases either to withdraw their proposals after some discussion, or to consider their proposal as satisfactorily covered by the changes suggested in the present text. Accordingly the comments of the Sub-Committee in this report are confined to only certain of the amendments proposed earlier.

8. The Sub-Committee agreed with a suggestion by the representative of the United States of America that, in order to secure continuity in the balance of payments provisions, it would be desirable to move the Article on fair labour standards from its earlier position as Article 4 to a position at the end of the Chapter.

9. The Sub-Committee discussed the proposal presented by the delegation of Italy (E/CONF.2/11/Add.18) for the inclusion of a provision for international co-ordination of employment services with a view to facilitating the migration of labour where desirable. In the course of the discussion information was supplied concerning the activities of the Permanent Migration Committee of the International Labour Organization in this field and reference was also made to the Population Commission of the Economic and Social Council. It was the view of the Sub-Committee that the question of the international movement of labour was only one aspect, although an important one, of the general question of international action to assist in securing high levels of employment and that if mention were to be made of this aspect references to other aspects would also have to be included at some length. It was the view of the Sub-Committee that it was unnecessary to include in Chapter II any specific reference to this particular aspect of the question since the present language of the Chapter included all the various aspects. The Sub-Committee considered that in connection with the proposed Resolution on Employment (see E/CONF.2/C.1/7 and E/CONF.2/5), consideration might be given to the desirability of drawing the attention of the Economic and Social Council to the importance of the international mobility of labour and of securing an international co-ordination

/of employment

of employment services for this purpose. The representative of Italy indicated that his delegation reserved its position pending discussion in the First Committee.

10. The Sub-Committee considered the proposal by the delegation of Mexico (E/CONF.2/11/Add.28) concerning the treatment of migrant workers and concluded that particular situations of the sort referred to in the discussion of the amendment should be the subject of special agreements and could not appropriately be included in the charter of an international trade organization. Reference was made also to the work being done by the International Labour Organization and particularly its Permanent Migration Committee on the general question of the treatment of migrant workers. The representative of the delegation of Mexico reserved the right of his delegation to raise the question again in the full Committee.

11. Concerning the proposal by the delegation of Denmark (E/CONF.2/C.1/3/Add.6) relating to the initiative of the Organization in the event of Members experiencing balance-of-payments difficulties, the Sub-Committee was of the view that, even if the particular case were not of sufficient urgency to come under paragraph 2 of Article 5 (formerly Article 6), the Member would be permitted under Articles 89 and 90 to make representations to other Members and to the Organization and that if such representations were made to the Organization it was already empowered under the present text of the Charter to consult with, and make recommendations to, any or all Members. Accordingly the Sub-Committee felt that the inclusion of a special reference to the initiative of the Organization in connection with this Article was not required and that the insertion of such a reference might appear to cast doubt on the Organization's right of initiative in connection with other Articles if that right were not also specially mentioned in such cases.

12. The Sub-Committee discussed the proposal of the delegation of Peru (E/CONF.2/C.1/7/Corr.1) regarding the disposal of surpluses during periods of widespread balance-of-payments difficulties. It was generally agreed that this problem related closely to the provisions of Chapter VI and that the courses of action contemplated by the representative of Peru were already provided for, so far as feasible, in Article 55 (and the other Articles of Chapter VI) and Article 69. Accordingly the Sub-Committee decided not to recommend the inclusion of any provision on this subject in Chapter II. The representative of Peru indicated that his delegation reserved its position pending discussion in the full Committee.

13. The Sub-Committee discussed at some length the proposals by the
/delegation

delegation of Norway concerning price stabilization and the prevention of inflationary developments (E/CONF.2/C.1/3/Add.7 and E/CONF.2/C.1/7/Add.2). The Sub-Committee was of the opinion that rather than consider the need for a modification in the Chapter at the present time it would be preferable to await the examination of the various Articles which relate to measures available to governments pursuing a policy of price stabilization, such as Articles 18, 20, 25-29 and 43, reserving the right of the delegation of Norway to raise the question again after those Articles have been examined by the appropriate Committees.

/TEXT RECOMMENDED

TEXT RECOMMENDED BY SUB-COMMITTEE B OF THE FIRST COMMITTEE

CHAPTER II

EMPLOYMENT AND ECONOMIC ACTIVITY

Article 2 - Importance of Employment, Production and Demand in Relation to the Purpose of this Chapter

1. The Members recognize that the avoidance of unemployment or under-employment, through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of production and effective demand for goods and services, is not of domestic concern alone, but is also a necessary condition for the realization of the general purpose and the objectives set forth in Article 1 of this Charter, including the expansion of international trade, and thus for the well-being of all other countries.
2. The Members recognize that, while the avoidance of unemployment or under-employment must depend primarily on domestic internal measures taken by individual countries, such measures should be supplemented by concerted action under the sponsorship of the Economic and Social Council of the United Nations in collaboration with the appropriate inter-governmental organizations, each of these bodies acting within its respective sphere and consistently with the terms and purposes of its basic instrument.
3. The Members recognize that the regular exchange of information and views among Members is indispensable for successful co-operation in the field of employment and economic activity and should be facilitated by the Organization.

Article 3 - Maintenance of Domestic Employment

1. Each Member shall take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory through measures appropriate to* its political, economic and social institutions.
2. Measures to sustain employment, production and demand shall be consistent with the other objectives and provisions of this Charter. Members shall seek to avoid measures which would have the effect of creating balance-of-payments difficulties for other countries.

* The Sub-Committee recommends that the Central Drafting Committee be asked to consider whether this expression should be "appropriate to" or "consistent with".

/Article 4

Article 4 - Removal of Maladjustments Within the Balance of Payments

1. In the event that a persistent maladjustment within a Member's balance-of-payments is a major factor in a situation in which other Members are involved in balance-of-payments difficulties which handicap them in carrying out the provisions of Article 3 without resort to trade restrictions, the Member shall make its full contribution, while appropriate action shall be taken by the other Members concerned, towards correcting the situation.
2. Action in accordance with this Article shall be taken with due regard to the desirability of employing methods which expand rather than contract international trade.

Article 5 - Exchange of Information and Consultation

1. The Members and the Organization shall participate in arrangements made or sponsored by the Economic and Social Council of the United Nations, including arrangements with appropriate inter-governmental organizations:
 - (a) for the systematic collection, analysis and exchange of information on domestic employment problems, trends and policies, including as far as possible information relating to national income, demand and the balance-of-payments;
 - (b) for consultation with a view to concerted action on the part of governments and inter-governmental organizations in the field of employment policies order to promote employment and economic activity.
2. The Organization shall, if it considers that the urgency of the situation so requires, initiate consultations among Members with a view to their taking appropriate measures against the international spread of a decline in employment, production or demand.

Article 6 - Safeguards for Members Subject to External Deflationary Pressure

The Organization shall have regard, in the exercise of its functions under other provisions of this Charter, to the need of Members to take action within the provisions of this Charter to safeguard their economies against deflationary pressure in the event of a serious or abrupt decline in the effective demand of other countries.

Article 7 - Fair Labour Standards