

SECOND COMMITTEE: ECONOMIC DEVELOPMENT

SUB-COMMITTEE B ON ARTICLE 12

CORRIGENDUM TO NOTES OF SEVENTH MEETING

Chairman: Mr. J. GARRIDO TORRES (Brazil)

The third paragraph of the Notes of the Seventh Meeting should read as follows:

"This suggestion was supported by three delegates and opposed by two. The proponents of the change indicated that they would not insist on it in the interest of achieving unanimity. It was, therefore, decided to include sub-paragraph (a) of paragraph 2 in the form first recommended by the delegates of Australia, New Zealand and Sweden".

DEUXIEME COMMISSION : DEVELOPPEMENT ECONOMIQUE

SOUS-COMMISSION B CHARGEE DE L'EXAMEN DE L'ARTICLE 12

RECTIFICATIF AUX NOTES DE LA SEPTIEME SEANCE

Président : M. J. GARRIDO TORRES (Brésil)

Le troisième paragraphe des notes de la septième séance doit être rédigé comme suit :

"Trois représentants appuient la proposition et deux s'y déclarent hostiles. Les auteurs de la proposition déclarent que dans un dessein d'unanimité, ils n'insisteront pas. En conséquence, la Sous-Commission décide de reprendre l'alinéa (a) du paragraphe 2 sous la forme proposée par les délégués de l'Australie, de la Nouvelle-Zélande et de la Suède."

SUB-COMMITTEE B OF THE FIRST COMMITTEE

(Terms of Reference in Document E/CONF.2/C.1/3/Add.1)

Agenda and Informal Notes by the Secretariat

1. Form of Records (Rule 44)
2. Discussion of the Subject Matter of the Amendments referred to the Sub-Committee

The various proposed amendments would appear to raise the following main points (see documents E/CONF.2/C.1/7 with Addendum 2 and Corrigendum 1):

- (a) Should the reference to "international trade" at the end of paragraph 1 of Article 2, in connection with the relation between the avoidance of unemployment or underemployment and the purpose of the Charter, be deleted?

The delegation of Mexico proposes the deletion of the words "including the expansion of international trade, and thus for the well-being of all other countries".

- (b) Should the avoidance of unemployment or underemployment be described as "primarily" (as in the present text) or "partly" (as proposed by Peru) dependent on domestic measures?
- (c) In connection with concerted action to avoid unemployment or underemployment should there be a reference specifically to "international investment"?

The delegation of Peru proposes the insertion of the words "and in particular by international investment".

- (d) Should matters relating to the international migration of labour be dealt with in this chapter?

The delegation of Italy proposes a provision suggesting the promotion of such migration through international co-ordination of employment services in co-operation with the International Labour Organization. (Proposed new paragraph 3 of Article 2)

The delegation of Mexico proposes a provision for encouraging legal migration and discouraging or penalizing the employment of illegal immigrants except in the case of political refugees and like persons. (Proposed new paragraph 3 of Article 3).

- (e) Should measures be "appropriate to" or "consistent with" Members' political, economic and social institutions?

The delegation of Mexico proposes substitution of "consistent with" for "appropriate to" (Article 3, paragraph 2).

- (f) Should the Chapter contain provisions regarding the desirability of price stabilization and allowing measures to achieve and maintain such price stability on a relatively permanent basis?

The delegation of Norway proposes amendments for this purpose in Article 3 (E/CONF.2/C.1/7) and Article 7 (E/CONF.2/C.1/7 Addendum 2).

- (g) Concerning the avoidance of measures creating balance-of-payments difficulties for others (last sentence in Article 3, paragraph 2):
- (i) should this be attempted "principally by means of international co-operation" as suggested by the delegation of Italy?
 - (ii) should the sentence be removed to Article 5 as suggested by the U.S. representative during the Committee discussion?
 - (iii) should the entire sentence be deleted as suggested by the delegation of the Philippines?
- (h) Concerning the removal of persistent or widespread balance-of-payments readjustments (Article 5):
- (i) is specific provision required in this chapter to allow the Organization to make representations to the Member with the persistent readjustment as suggested by the delegation of Denmark?
 - (ii) should the Organization use the regulating machinery provided by the Charter for the purpose of marketing at satisfactory prices the surplus commodities of the countries with balance-of-payment difficulties as suggested by the delegation of Peru (see E/CONF.2/C.1/7/Corr.1)?
- (1) To the provision for consultation with a view to concerted action (Article 6, paragraph 3 (b) should a provision be added protecting the rights already acquired by workers?

The delegation of Mexico has made a proposal to this effect.

These points might be discussed separately in the order indicated above, or the amendments themselves might be discussed in the order in which they appear in E/CONF.2/C.1/7 (with Addendum 1 and Corrigendum 1).

SUB-COMMITTEE "B" OF FIRST COMMITTEE

First Meeting, Held in Conference Room K at Capitolio, Havana

4.00 p.m., 11 December 1947

The Sub-Committee discussed the points raised by the various amendments to Chapter II (concluding those relating to Article 4) in the order indicated in the informal Secretariat notes and reached conclusions on the following points:

Point (a)

The representative of Mexico withdrew the proposal for ^{deleting} including the reference to "international trade".

Point (d)

The proposals of the delegations of Italy and Mexico were not approved by the Sub-Committee.

Concerning the proposal of the delegation of Italy, the Sub-Committee suggested that, in connection with the proposed Resolution on employment, 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 services for this purpose.

Concerning the proposal of the delegation of Mexico the view was expressed that particular situations of the sort referred to should be the subject of bilateral agreements and that the more general question of the treatment of immigrant workers, if it were to be dealt with in the Charter at all, might be considered in connection with Article 4. The representative of the delegation of Mexico reserved the right of his delegation to raise the question again in the full Committee.

Point (e)

The Sub-Committee agreed to recommend that the general Drafting Committee should determine whether to use the words "appropriate to" or "consistent with".

Point (g), sub-paragraph (i)

The representative of Italy withdrew the proposal to include the words "principally by means of international co-operation".

Point (g), sub-paragraph (iii)

The Sub-Committee (with the representative of the Philippines absent) unanimously decided against the suggestion that the sentence be deleted.

* * *

Preliminary discussion took place on the following points:

Point (g), sub-paragraph (ii)

The representative of the United States presented orally a detailed proposal for the re-arrangement of the articles and for the transfer of the last sentence in paragraph 2 of Article 3 (see attachment A). Although several members

/indicated

indicated tentative support for the proposal, detailed discussion was deferred until the next meeting.

Point (h), sub-paragraph (1)

After a brief preliminary discussion in which the consensus appeared to be that the proposal was inadvisable and unnecessary, discussion was deferred until the next meeting when the representative of Denmark could be present.

Point (1)

Concerning the proviso explicitly protecting rights already acquired by workers, three suggestions, in addition to the original proposal of the delegation of Mexico, were made and left for further consideration at the next meeting:

- (1) that paragraph 1 (b) of Article 6 be revised to read:
 "For consultation with a view to the concerted action [on the part of governments and inter-governmental organizations in the field of employment policies] referred to in Article 2".
- (2) that, in addition to removing Article 4 to a position at the end of the entire Chapter, paragraph 1 (b) of Article 6 be redrafted to read:
 "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."

Agreed
by Mexico

- (3) that the substance of the original proposal of the delegation of Mexico be inserted after paragraph 2 rather than after paragraph 1 (b).

The Sub-Committee deferred until the next meeting the consideration of the following points in order that the representative of Peru might be present:

Point (b)

Point (c) *withdrawn*

Point (h), sub-paragraph (ii)

The Sub-Committee also deferred until the end of its agenda, for consideration in connection with Article 7, the proposals of the delegation of Norway relating to Articles 3 and 7, identified as Point (f).

ANNEX A

Secretariat Note on the Proposal of the Representative of the
United States for the Disposition of the last sentence in
Paragraph 2 of Article 3 and Related Matters

Agreed
1. The representative of the United States would remove the article on "Fair Labour Standards" (Article 4) from its present position to a position at the end of the Chapter and would number it "Article 7". As a consequence, present Article 5 would be numbered Article 4; present Article 6 would be numbered 5; and present Article 7 would be numbered 6.

No!
2. The last sentence of paragraph 2 of Article 3 would be transferred from that article to the one immediately following in the form indicated below.

No!
3. The title of present Article 5, which would then be numbered 4, would be changed from "Removal of Maladjustments within the Balance of Payments" to "Avoidance of Balance of Payments Difficulties", and the text of the article would read as follows:

{ "1] In carrying out the provisions of Article 3 Members shall seek to avoid measures which would have the effect of creating balance of payments difficulties for other countries.

{ "2] In the event that a persistent maladjustment ... (continue as in paragraph 1 of the present Article 5) ... towards correcting the situation. Such corrective action shall be taken with due regard to the desirability of employing methods which expand rather than contract international trade."

SUB-COMMITTEE B OF THE FIRST COMMITTEE

THIRD MEETING

Comments on Article 2

Held in Conference Room K, Capitolio, Havana at 10.30 a.m., 13 December 1947

The Sub-Committee discussed the following points listed in the informal Secretariat notes:

Point (b)

On the question of choosing between the words "primarily" and "partly" in paragraph 2 of Article 2 it appeared that the difficulty related more to the meaning of "domestic measures" than to the use of the word "primarily". Accordingly, the Sub-Committee agreed to amend the first part of the paragraph to read:

"The Members recognize that, while action for the avoidance of unemployment or under-employment must depend primarily on [domestic] measures taken by individual countries, such measures".

The representative of Peru indicated that this drafting was satisfactory to him.

Point (f)

The representative of Norway explained that the amendments proposed by his delegation to Articles 3 and 7 were intended to deal with the problems of inflationary pressure by either requiring all Members to undertake an obligation to maintain price stability or, failing that, by allowing any Member to adopt measures necessary to achieve internal price stability despite inflation abroad. If the problem of inflation were not to be dealt with in some such manner as suggested, it would be difficult for any Member to carry out its obligation to maintain a high level of employment.

He observed that Paragraph II of Article 43 applied, at least in the first instance, only to a transition period and that the sort of measures which he had in mind should be available to Members more permanently. He mentioned as an example the attempt to achieve price stability through subsidies applied to normalize the price locally of imports purchased at relatively inflated prices. While such subsidies might themselves be permissible, he was not certain that the means of financing them would be consistent with the provisions of the Charter - particularly of Article 18 - after the interim period, since it was envisaged that the subsidies would be financed through taxes levied on such products when imported at lower prices (whether the low price resulted from the fact that purchases were made from relatively low-price sources or that purchases were made during a period of generally low prices) without an equivalent tax necessarily being imposed on like domestic products.

After some discussion the representative of Norway indicated that he would not press the amendment proposed to Article 3 but would maintain the proposal to cover somewhere in the Chapter the point raised by the amendment suggested in Article 7.

/The Chairman

The Chairman observed that there were four issues involved:

(1) Whether it would be permissible to sell locally at a single price a commodity which had been imported from different sources at various prices, and thus affect the competitive position of these various sources in the domestic market. The Chairman suggested that this point might be discussed in connection with the Subsidies section of Chapter IV.

(2) Whether the use of subsidies to achieve a single price for a commodity in the domestic market was permissible under the Charter. This point also, the Chairman thought, should be discussed in connection with the question of Subsidies.

(3) Whether the technique of financing such subsidies through an import tax related inversely to the import price if unaccompanied by a corresponding tax on similar domestic products was permissible under the Charter. The Chairman suggested that this point should be discussed in connection with Article 18. The representative of Norway expressed the view that such a technique would probably be regarded as consistent with the present text of Article 18 only if the provisions of that Article were understood to apply to a period of time rather than to an instant of time. The representative of Canada remarked that the difficulty might be avoided if the problem arose only in connection with items on which the tariff rate was unbound, since in such cases the customs tariff could be adjusted with the same revenue effect as the import tax and without running counter to Article 18.

(4) Whether, in order to provide a basis for any necessary amendments of articles relating to the technique, some expression should be given in Chapter II to the general principle that regard should be had to the need of Members to "control prices in the home market and thereby prevent a harmful inflationary development (or thereby protect their economies against inflationary pressure from abroad)". The representative of Australia questioned the need for the provision suggested in the Norwegian amendment since, to his mind, a Member should be able to establish under Articles 89 and 90 a case for the measures required if the inflationary pressure was nullifying or impairing any objective of the Charter. The representative of the United States agreed with the representative of Australia and expressed the view that Article 43 seemed to cover the position, at least until 1951, and that subsequently (and on the basis of experience up to 1951) the Member would have recourse under Articles 89 and 90 if the situation warranted.

The representative of India referred to the interest which his delegation had taken during the Geneva meetings in another aspect of the effects of inflation when it had expressed concern at the consequences for the domestic supply position resulting from the pull of external demand created by inflation abroad. He would be agreeable to the inclusion of some general provision in Chapter II.

The representative of France thought that a declaration of the

/general principle

general principle might appear in Chapter II but preferred that it take the form of a separate article rather than a part of Article 7; furthermore, he was of the view that the application of the principle might be confined to essential goods and that there might be provision for closer supervision by the Organization.

The representatives of Mexico, Peru and the United Kingdom also expressed the view that some reference to the problem might appear in Chapter II.

There was general agreement that, without any commitment as to the acceptance of any text, a small group should attempt to draft the sort of provision which might appear in Chapter II if mention were to be made of the point in that Chapter. It was considered that other aspects of the question (which might arise under Articles 18, 20, 25-29, 43, 89, 90) could only be discussed in other committees.

Point (h)

Concerning the amendment proposed by Peru relating to the disposal of surpluses during periods of balance-of-payments difficulties, it was generally agreed that this problem related closely to the subject of Article 52 (i.e., the "accumulation of burdensome stocks") and that the courses of action open to the Organization and its members in such circumstances under the present draft are indicated in Article 55 (and the other articles of Chapter VI), Article 69, etc. There was some suggestion that the case referred to in the proposed amendment might be covered more adequately by referring in Chapter VI to balance-of-payments difficulties as among the factors to be taken into account in determining the action required in respect of a particular commodity, but the Sub-Committee felt that the term "burdensome" already included this aspect. Accordingly, it was provisionally agreed not to include the amendment in Chapter II and the representative of Peru undertook to discuss the matter further with his delegation.

The following points remain to be discussed further:

Point (f)

After the informal group has prepared a draft of the general principle which might be stated in Chapter II relating to the Norwegian proposal.

Point (h) - Sub-paragraph (ii)

The Peruvian representative might report whether in the light of the discussion in the Sub-Committee he is agreeable with the views of the Sub-Committee that a provision of the sort suggested is not now necessary.

Point (i)

Point (i) has now been dealt with by the Sub-Committee considering Article 4.

COMMITTEE I

Sub-Committee B

Note by Miss Fisher (United Kingdom)

For the consideration of the small group of Sub-Committee B of Committee I, which is considering possible draft provisions in Chapter II to meet the point raised by the Norwegian amendment to Article 7, I venture to suggest tentatively the following alternative forms of words:-

Either

Article 7

- (1) To delete the words following "to safeguard their economies" and to substitute:-

"against pressures liable to arise in the event of serious or abrupt variations in the effective demand of other countries"

or

- (2) Article 2

After "demand for goods and services" to insert:-

"and the avoidance of wide fluctuations in the general price level".

Mr. Ritchie
Conf. Room 7

FIRST COMMITTEE: EMPLOYMENT AND ECONOMIC ACTIVITY

PROPOSAL BY THE DELEGATION OF ITALY
(E/CONF.2/C.1/10, REPORT OF SUB-COMMITTEE B)

Article 5 (formerly Article 6) - Exchange of Information and Consultation

Add a new sub-paragraph (b) in paragraph 1, as follows:

- (b) for studies relating to international aspects of population and employment problems.

Change present sub-paragraph (b) to (c).

PREMIERE COMMISSION : EMPLOI ET ACTIVITE ECONOMIQUE

PROPOSITION PRESENTEE PAR LA DELEGATION DE L'ITALIE

(E/CONF.2/C.1/10, RAPPORT DE LA SOUS-COMMISSION "B")

Article 5 (ancien article 6) - Echange de renseignements et consultation

Insérer après l'alinéa a) du paragraphe 1 de l'article 5 (article 6 du texte de Genève), le nouvel alinéa b) suivant :

- b) Pour procéder à des études relatives aux aspects internationaux des problèmes de la population et de l'emploi.

L'alinéa b) actuel devient l'alinéa c).

FIRST COMMITTEE: EMPLOYMENT AND ECONOMIC ACTIVITY

SUB-COMMITTEE B

TEXT OF CHAPTER II, AS OF 15 DECEMBER 1947

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 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 organization, 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.

* The Central Drafting Committee is to be asked to consider whether it should be "appropriate to" or "consistent with".

/2. Measures to sustain

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.

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* - Safeguards

Article 7* - Safeguards for Members Subject to External Inflationary Pressure
In order to protect their economies against wide fluctuations in prices
resulting from inflation abroad, Members may have to resort to specific provisions
of this Charter. The Organization shall duly take into account the need of Members
to take such action

Article 7 - Fair Labour Standards

* Text tentatively proposed by the representatives of France, Norway and the United Kingdom.

FIRST COMMITTEE: EMPLOYMENT AND ECONOMIC ACTIVITY

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

1. At the sixth meeting of the First Committee, 8 December 1947, the Chairman appointed a Sub-Committee which was instructed to examine and prepare texts relating to all Articles of Chapter II with the exception of Article ~~IV~~⁴, together with all relevant amendments proposed (see E/CONF.2/C.1/8/Add.1).
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 8)

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

(formerly Article 6)

6. It was agreed that the amendment proposed to Article ~~5~~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 is reporting on this proposed amendment.

17. The Sub-Committee

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 present 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 in this field. 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 services for this purpose.

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 the Permanent Migration Committee on the general question of the treatment

/of migrant

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 representation 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 Articles 69, 74, etc. 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 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). It was the general view of the Sub-Committee that the proposals in their original form were not acceptable since it was felt that such provisions might have the effect of reducing substantially the obligations, and corresponding benefits, envisaged in the Charter. Some members thought that such provisions were unnecessary and would be objectionable for the reason that they might appear to weaken the effect of the present provision for safeguards against external deflationary pressure. Other members, while unable to accept the proposals in their original form, would be prepared to see some provision in the Charter instructing the Organization in the exercise of its functions to take account of the need of countries to protect their economies against the effects of inflation elsewhere. Still other members objected to any general provisions in the present Chapter and suggested that the problems arising from the various techniques of price stabilization should be discussed in connection with the relevant Articles, such as

/Articles 18, 20,

Articles 18, 20, 25 - 29, 43, 89 and 90. One member indicated that his delegation could not accept the addition to Chapter II of any provision of this character and that if the point were pressed, his delegation would be obliged, with regret, to press for the deletion of Article 6 (formerly Article 7) concerning safeguards against external deflationary pressure. In these circumstances the Sub-Committee decided that the matter should be returned to the full Committee for further consideration.

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 organization, 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 to⁶ its political, economic and social institutions.

⁶ The Sub-Committee recommends that the Central Drafting Committee be asked to consider whether this expression should be "appropriate to" or "consistent with".

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.

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
