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PREPARATORY COMMITTEE OF THE INTERNATIONAL  
CONFERENCE ON TRADE AND EMPLOYMENT

MEMORANDUM ON THE OBJECTIVES OF THE INTERNATIONAL

TRADE ORGANIZATION IN RESPECT TO EMPLOYMENT

(Submitted by the Secretariat)

I

In the Resolution of the Economic and Social Council of 18 February 1946, on the calling of an International Conference on Trade and Employment, it is stated:

"The Economic and Social Council, considering it essential that the co-operative economic measures already taken be supplemented by further international measures dealing directly with trade barriers and discriminations which stand in the way of an expansion of multilateral trade and by an undertaking on the part of nations to seek full employment....."

In respect to employment, it was suggested that, as a basis of discussion for the Preparatory Committee, the Agenda should include the following topic:

"(a) International agreement relating to the achievement and maintenance of high and stable levels of employment and economic activity."

II

During the discussion in the Economic and Social Council preceding the acceptance of the abovementioned resolution, statements were made concerning the problem of employment:

Introducing the United States of America Resolution regarding an International Conference on Trade and Employment, the United States of America Delegate stated that the chapter headings "are sufficiently broad to cover every important aspect of international co-operation regarding trade and employment, including the question of prices on

the international market."

Commenting on the United States of America proposal, the Canadian Delegate declared:

"We may well pause to ask ourselves at the beginning of this new enterprise in the same field of international trade what was the reason for this appalling discrepancy between words and deeds. Surely it would be too simple an explanation to blame it on bad faith: even the most cynical would not expect to find bad faith to be universal. The main explanation, in our view, is that during this period unemployment was evil number one and threat number one to the economic world. Certain countries sought to deal with their unemployment problem by taking measures to preserve the national market, conceived of as a limited market, for their own people - measures of a restrictive, anti-social sort. If all had acted together in unison, the anti-depression measures could have been expansive measures from which all would have derived benefits. But as effective machinery for concerted action did not exist or the will to use it was lacking, many of the individual measures taken by countries to relieve unemployment were of the export of unemployment variety.

"Believing as we do that most countries will regard employment policy as the core of economic policy, we are pleased to see it proposed that the conference consider not only trade matters but also employment problems and measures which can be taken in common by the nations of the world to prevent the scourge of unemployment. The following extracts from the United States proposals referred to, do appear to indicate that this time, at any rate, we are unlikely to commit the error of concentrating on the mechanisms of international trade and thereby neglecting the ultimate objectives of economic policy:

1. It is recognized that:-
  - (a) In all countries high and stable employment is a main condition for the attainment of satisfactory levels of living.

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(b) The attainment of approximately full employment by the major industrial and trading nations, and its maintenance on a reasonably assured basis, are essential to the expansion of international trade on which the full prosperity of these and other nations depends; to the full realization of the objectives of all liberal international agreements in such fields as commercial policy, commodity problems, restrictive business practices, monetary stabilization and investment, and, therefore, to the preservation of world peace and security.

2. Domestic programmes to expand employment should be consistent with realization of the purpose of liberal international agreements and compatible with the economic well-being of other nations."

The Colombian Delegate declared that "a definite tendency emerges from the text of the United States proposal; namely, that in order to reach a high level of employment and of economic activity, a whole complex of legal regulations and practices, which impede the free development of world trade, will have to be dropped by means of international agreements.....

"We are of the opinion that full employment in reasonable conditions is inseparable from the attainment of two fundamental objectives: variety of production, and increased establishment of manufacturing industries which, through their ability to realise higher wages than those which are normally obtained in extracting industries, can raise the general standard of living and shape a mentally and morally superior working class. The Council should ask itself if such an evolution can be got by depriving young industries of all protection, and if it is not more natural that a policy of trade freedom should be developed in harmony with the peculiar conditions prevailing in industrially backward countries."

The Czechoslovak Delegate welcomed the encouragement of trade and employment contained in the proposal. He declared that "the coupling in the title of problems of both trade and employment was an encouraging sign, since it implied recognition of the fact that on a long-term basis consumption must be stimulated to keep abreast of production if unemployment were to be avoided.

### III

In the Proposals for Expansion of World Trade and Employment, issued in November 1945, are contained the following statements regarding employment:

#### "IV. Release from Fear of Irregularity in Production and Employment"

"Every country will seek so to manage its own affairs that its business life will be free from violent depressions. The object of international action should be to insure that these national efforts reinforce each other and do not cancel out.

"The industrial activity of every country is affected by the size and the regularity of its orders from abroad. When industry in any country slows down and its purchases of foreign materials are cut, the effects are felt in every corner of the globe. Full and regular production at home with increased participation in world trade, is the greatest boon which any people can confer upon producers throughout the world.

"It is important, however, that nations should not seek to obtain full employment for themselves by exporting unemployment to their neighbours. To seek employment by prohibiting imports or by subsidizing exports would be harmful and self-defeating. The business of the Conference, therefore, should be to establish general agreement that each country will seek, on its own account, to maintain full and regular production, that it will not do so by using measures which would damage other countries or prevent the expansion of world trade, and that all countries will co-operate in exchanging information and participate in consultations with respect to anti-depression policies...." (Pages 6 & 7.)

"PROPOSALS CONCERNING EMPLOYMENT

"Since high and stable levels of employment are a necessary condition for an enlarged volume of trade, and since problems of trade and employment are to be considered jointly at an international conference, the following propositions are advanced.

"Governing Principles

"1. It is recognized that:

- (a) In all countries high and stable employment is a main condition for the attainment of satisfactory levels of living.
- (b) The attainment of approximately full employment by the major industrial and trading nations, and its maintenance on a reasonably assured basis, are essential to the expansion of international trade on which the full prosperity of these and other nations depends; to the full realization of the objectives of all liberal international agreements in such fields as commercial policy, commodity problems, restrictive business practices, monetary stabilization, and investment; and, therefore, to the preservation of world peace and security.

"2. Domestic programmes to expand employment should be consistent with realization of the purposes of liberal international agreements and compatible with the economic well-being of other nations.

"3. It is recognized that the adoption of the Bretton Woods Agreements and of measures to reduce restrictions on trade will contribute substantially to the maintenance of productive employment.

"4. The United Nations have pledged, in the Charter of the United Nations Organization, to take joint and separate action in co-operation with the Organization to achieve the economic and social purposes of the United Nations, including higher standards of living, full employment, and conditions of economic and social progress and development.

"Effectuation of Aims

"There should be an undertaking that:

- "1. Each of the signatory nations will take action designed to achieve and maintain full employment within its own jurisdiction, through measures appropriate to its political and economic institutions.
- "2. No nation will seek to maintain employment through measures which are likely to create unemployment in other countries or which are incompatible with international undertakings designed to promote an expanding volume of international trade and investment in accordance with comparative efficiencies of production.
- "3. Signatory nations will make arrangements, both individually and collaboratively under the general sponsorship of the Economic and Social Council of the United Nations Organization, for the collection, analysis, and exchange of information on employment problems, trends, and policies.
- "4. Signatory nations will, under the general sponsorship of the Economic and Social Council, consult regularly on employment problems and hold special conferences in case of threat of widespread unemployment."

(Pages 9 and 10, under Proposals for Consideration by an International Conference on Trade and Employment)

According to W. L. Clayton, United States Under Secretary of State for Economic Affairs, "the Proposals contained suggestions for rules to govern trade barriers, restrictive business practices, intergovernmental commodity arrangements, and the international aspects of domestic employment policies....."

IV

In the draft of the Suggested Charter for an International Trade Organization of the United Nations (September 1946), the following parts refer to employment:

"CHAPTER III. EMPLOYMENT PROVISIONS

"Article 3. Relation of Employment to Purposes of Organization.

The Members recognize that the attainment and maintenance of useful employment opportunities for those able, willing, and seeking to work are essential to the full realization of the purposes of the Organization. They also recognize that domestic programmes to maintain or expand employment should be consistent with these purposes.

"Article 4. General Undertaking to Promote Full Employment

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.

"Article 5. Avoidance of Certain Employment Measures

In seeking to maintain or expand employment, 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.

"Article 6. Consultation and Exchange of Information on Matters Relating to Employment

The Members agree that they will: (1) make arrangements for the collection, analysis, and exchange of information on employment problems, trends, and policies and for the submission at regular intervals of reports on the measures adopted to give effect to Article 4; (2) consult regularly on employment problems; and (3) hold special conferences in case of threat of widespread unemployment.

"Article 7. Assignment of Functions to Economic and Social Council.

"In accordance with the Charter of the United Nations, the Economic and Social Council will be responsible for furthering the

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objectives of Chapter III and supervising the fulfillment of the obligations assumed under Article 6.

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