

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

COMMITTEE I

SUMMARY RECORD OF MEETINGS

Third Meeting
held on Thursday, 7 November 1946,
at 3 p.m.

Chairman: Mr. WUNSE KING (China)

Statement by the Chairman

The Chairman regretted that it had been impossible to call a full meeting of the Committee at an earlier date. The Sub-Committee, appointed by the Committee at its second meeting on 21 October, had been working very hard in an attempt to enlarge the general area of agreement. It had met with no small success, as the Committee would see from its report - Document E/PC/T/C.I/11, to which was appended a set of draft clauses and a draft resolution. The task of the Sub-Committee had been facilitated by the efficient work of the Secretariat, and the document bore eloquent testimony to the very fine work done by Mr. MEADE (United Kingdom), the Rapporteur. The Chairman then described the contents of the document in some detail, together with the considerations which underlay the various clauses. He wished to add a word on the second item on the Committee's Agenda, the International Agreement relating to industrial development. The Committee would no doubt be aware that this part of its Agenda had been disposed of, in the sense that it, and other relating matters, were in the hands of the Joint Committee on Industrial Development, which, he was happy to say, was making good progress.

The CHAIRMAN suggested that the Sub-Committee's report, together with its appendix, be discussed paragraph by paragraph. He drew attention to two papers which were relevant to it - one by the Netherlands Delegation and another by the Polish Observer (E/FC/T/C.I/W.4 and E/FC/T/C.I/12).

Consideration of the Sub-Committee's report (E/FC/T/C.I/11)

Mr. GOTZEN (Netherlands) wished to compliment the Members of the Sub-Committee, and especially the Rapporteur, on their excellent work. The Netherlands paper, to which the Chairman had referred, expressed the view that, insofar as international employment policy covered the fields closely linked with, but nevertheless distinct from, the field of work of the ITO, it might be advisable to set up a separate convention and to create a separate executive agency for this purpose. Having, however, studied the report of the Sub-Committee, he was quite ready to withdraw this suggestion.

He desired, however, to add that if the Committee were to accept Clause 6 on page 2 of the Report, the attention of the other Committees should be drawn to the point, so that similar provisions might be included in their own reports.

Mr. Desclée DE LINDENSOUS (Belgium-Luxembourg) said that his delegation was in general agreement with the proposed text, and he thanked the Sub-Committee for having found a definition of full employment wide enough for each country to subscribe to. He held the same view as the Sub-Committee that international action, under the auspices of the Economic and Social Council, was necessary, in order that the full use of a nation's human and material resources could be achieved by a regular and consistent increase in world demand. Full employment could only be realized by two methods: either full control of individual consumption and production activities, thereby entailing a limitation of individual freedom - a method which was only possible in fairly closed economies - or much more freedom of action to consumers and producers.

The second method, which his delegation favoured, could only succeed subject to the fulfilment of a great number of conditions. Consideration should be given not only to balance of payments questions, but also to the necessity of providing for harmonious development of the potential of production and for close co-operation in the field of international development. His country attached the very greatest importance to measures undertaken through the auspices of the Economic and Social Council. Moreover, the second paragraph of the first Draft Clause on page 3 was of vital importance. The only doubt which remained in his mind was whether the proposed text made sufficiently clear the necessity of highly delicate interplay of economic policies. In his view, the proposed ITO would have to pay very special attention to this question.

The CHAIRMAN then called upon the Secretary to read out the Draft Clauses on Employment on page 3 of the document, clause by clause:-

Clause 1

Mr. GOFZEN (Netherlands) suggested that the word "effective" should be inserted in the first line of Clause 1 before "demand".

Mr. SERINDO (Norway) accepted this paragraph as amended, but wished to point out that his delegation took the phrase "high and steadily rising effective demand" to mean that the rising demand would not be of an inflationary character, but one which corresponded to available resources of goods and services, manpower included.

Mr. LOKANATHAN (India) was quite prepared to accept the addition of the word "effective", but proposed that in the second line, the words "achievement and" be inserted before the word "maintenance". A similar addition should be made before the word "maintenance" in the second paragraph.

As no objection was raised to these amendments, Draft Clause 1, as amended, was approved.

Clause 2

The Secretary then read Draft Clause 2.

On the proposal of Mr. FRESQUET (Cuba), the words "and productive" were inserted after the word "full" in the first line, so as to read "to achieve and maintain full and productive employment."

Draft Clause 2, as amended, was approved.

Clause 3

The Secretary then read Draft Clause 3, which was approved without comment.

Clause 4

The Secretary then read Draft Clause 4.

Mr. CHANG (China) wondered whether the expression "sub-standard conditions of labour" would be sufficiently clear without some reference to what the standard should be. There was, he felt, a danger of over-emphasizing the importance of sub-standard conditions in the field of international trade. It was true that labour conditions varied greatly, and that lower conditions of labour might result in lower cost of production. Sight, however, should not be lost of the fact that lower standards of labour existed chiefly in less developed countries, but any advantage in this respect was offset by a lower level of skill. Lower conditions of labour did not necessarily entail cheaper production. Was the question of sub-standard conditions of labour sufficiently important to justify its inclusion in the Charter? In his view, it could very well be left to the ILO, with which the ITO should always collaborate in questions of mutual interest.

Mr. EGONET (France) wished to stress once more that the task of the ITC would be to develop international trade as one means of raising the standard of life of the people as a whole. One aspect of this task was increased productivity and labour efficiency through more modern methods and equipment; another aspect was to increase labour's share in total consumption and purchasing power. It was important therefore that the concept of raising the general standard of life should be kept in the forefront.

Mr. MARTINS (Brazil) was happy to express his wholehearted agreement with what the Delegate of France had just said, as it corroborated the views he had already expressed in the Sub-Committee.

Mr. MEADE (United Kingdom) recalled that his delegation had expressed exactly the same doubts as the Chinese Delegate, when this clause was first discussed in the Sub-Committee. He had stressed the fact that countries which are underdeveloped and have large populations can only have a real chance of development if they are able to take advantage of the fact that their labour is cheaper than in other countries; and he had wanted to avoid any overlapping with the functions of the ILO.

His delegation, however, supported the clause as now drafted, because it clearly related fair labour standards to national productivity.

The Committee would note that the International Monetary Fund would be closely concerned with the action provided for in Clause 5. No one, however, had insisted that specific reference be made in this Clause to the Fund; but it was quite clearly intended that other specialized agencies, where vitally concerned, would be brought into the closest consultation with the ITO. With regard to the Clause therefore, he hoped that in any final report that the Committee might make, it would be specified that any action taken under this paragraph should be in the closest consultation with the ILO, just as any action taken under paragraph 5 should be in the closest consultation with the International Monetary Fund.

Mr. Desclee DE MAREDSOUS (Belgium) wished to support the point of view both of the Delegate of France and the Delegate of the United Kingdom.

Mr. LOKANATHAN (India) on behalf of his delegation, wished to reserve his final decision on this clause. He had already expressed views similar to those held by the Delegate for China, which had been endorsed by the Delegate for the United Kingdom. While being fully in sympathy with the principle embodied in paragraph 4, he considered it undesirable to duplicate functions that had already been assigned to another body.

Mr. PIERSON (United States of America) on behalf of his delegation, supported the retention of this clause as drafted. In his view, this clause in no way imposed a duty on the ITO to apply any form of sanction. Its purpose was rather to indicate agreement that each nation had an obligation to take whatever action might be proper within its own jurisdiction, to eliminate sub-standard conditions. With regard to the ILO, he thought that the Report would give recognition to the important work of the organization and to the value of continued co-operation.

The CHAIRMAN suggested, and it was agreed, that the Clause be maintained as it stood, and that a reference be made in the Report to the fact that the Delegates for China and India made certain reservations.

Clause 5

The Committee then passed to the consideration of Clause 5.

Clause 5 was approved without comment.

Clause 6

The Committee then passed to the consideration of paragraph 6.

Dr. COOMBS (Australia) explained that the purpose of this Clause was to make it clear that, in the view of the Sub-Committee, to permit members to safeguard their economies against deflationary pressure in the event of a serious or abrupt decline in effective demand, there should be adequate escape clauses in their appropriate places.

It was intended that the adequacy of these escape clauses finally agreed upon should be checked against the needs of the particular situation. While he believed that the necessity for linking these employment undertakings to the obligations accepted in other parts of the Charter was fundamental, he was quite satisfied with this method of dealing with it.

Mr. DEUTSCH (Canada), as representing one of the countries closely concerned with the difficulties arising out of any general escape clause in this section, thought that this was a proper method of dealing with the document.

Clause 6 was approved without further comment.

Clause 7

The Committee then passed to the consideration of Clause 7.

Mr. GOTZEN (Netherlands) said that it was not only the level of demand which was important but also the composition of that demand. He therefore suggested the insertion of the words "and composition" after the word "level" in the fourth line of sub-paragraph (a) of Clause 7.

Mr. MEADE (United Kingdom), Dr. COOMBS (Australia) and Mr. DE MAREDSOUS (Belgium) supported this proposal, the latter adding a further suggestion that the words "and its components" be inserted after the words "national income", in the fourth line of the same sub-paragraph and the phrase "and eventually the general programme of development" at the end. Mr. MARTINS (Brazil) supported both suggestions.

Mr. PIERSON (United States) speaking to the Belgian point, wondered whether unnecessary emphasis was not being placed on detail. Surely "information on" national income would cover its composition and information on economic development would be provided already under the present wording, or under sub-paragraph (b). Moreover, the assistance of such organs as the Statistical Commission might be counted on, to enable different countries to collect and publish their national income figures in a uniform manner.

Mr. DE MAREDSOUS (Belgium) appreciated Mr. PIERSON's point of view but contended that data relating to the component parts of national income provided an element of very great importance. Many countries were unable to produce such statistical information as the United States and the United Kingdom and he thought that the text was a useful pointer towards the necessity for the elaboration and clear presentation of statistics.

At this point Mr. MEADE (United Kingdom) suggested the following alternative draft:

- (a) "For the regular collection, analysis and exchange of information on domestic problems, trends and policies concerning employment and economic development, including information on the level and composition of the national income, the national expenditure and the balance of payments."

Mr. PIERSON (United States) thought that some countries might have difficulty in supplying such detailed information and it might therefore be preferable to retain the original wording. Mr. MEADE (United Kingdom) agreed, and accordingly withdrew his draft. He suggested that the report might indicate the types of subject on which information should be collected, analysed and exchanged in the sense of the Netherlands and Belgian amendments.

Dr. COOMBS (Australia) suggested that the sub-paragraph might be worded in even more general terms, as follows:-

- (a) for the regular collection, analysis and exchange of information on domestic employment problems, trends and policies, including information relating to national income, demand and the balance of payments."

Mr. Desclée DE MAREDSOUS (Belgium) was prepared to agree to the suggestion, provided that the report specified that more fully developed statistical detail bearing on future developments would be required.

Mr. PRESQUET (Cuba) mentioned the case of several countries, his own amongst them, which had no financial and technical means of providing such elaborate statistical information as was required, and he suggested that the phrase "as far as possible" should be inserted after "including".

With this amendment, the paragraph was agreed to.

Draft Resolution

The Committee then passed to the consideration of the Draft Resolution on International Action relating to employment.

The CHAIRMAN asked Mr. Meade to explain the history of this resolution, which represented a compromise after a considerable discussion in the Sub-Committee.

Mr. MEADE (United Kingdom) explained that the United Kingdom had originally proposed, in addition to the ordinary clauses relating to employment, a clause which invited the Economic and Social Council to initiate, in consultation with the appropriate international specialized agencies, studies on the lines of the present draft. It became clear, however, that it might be inappropriate to have a long enumeration of such studies, particularly so if it became an article of the Charter of the ITO. It had been suggested that the proper way of dealing with it would be through a special resolution of the Conference on Trade and Employment, rather than by a clause in either the constitution of the Trade Organization or a separate convention. His delegation would accept this suggestion.

Dr. COOMES (Australia) was not clear as to the status of the Preparatory Committee in relation to resolutions directed to other bodies, but it did seem to him unnecessary that consideration of this resolution by the Economic and Social Council should have to wait until the United Nations Trade and Employment Conference had held its session, which would presumably not be before the end of September 1947. He suggested therefore that the resolution be referred to the Economic and Social Council, as soon as the present session of the Preparatory Committee had approved it.

Mr. MEADE (United Kingdom) thought that it would be appropriate for the heads of delegations to consider this suggestion.

The CHAIRMAN agreed with this view.

Sub-paragraph 2

Mr. FRESQUET (Cuba) wished to reserve the position of his delegation on this sub-paragraph until the next morning.

Sub-paragraph 3

Mr. GOTZEN (Netherlands), in connection with sub-paragraph 3 of the Draft Resolution, raised the question of the timing of the execution of public works, which was an important means of counter-acting the consequences of a world depression. He proposed that "the execution of public works on a national basis" be included after the word "policy" in the second line.

Mr. MEADE (United Kingdom) fully appreciated the point, but doubted whether any reference to basically national policies was appropriate in this Resolution, which was confined to matters which would require action by international agencies. Such policies would presumably be dealt with under Clause 7 (b).

There was general agreement on this point, and the Rapporteur was asked to include a reference thereto in his report.

Sub-paragraph 4

Mr. HAKIM (Lebanon) raised objection to sub-paragraph 4, which asked for "the promotion of a flow of capital in periods of world deflationary pressure". The promotion of such a flow should, in his opinion, be made not only in periods of world deflationary pressure, but also in normal periods. He argued that the flow of capital from developed industrialized countries to under-developed countries was also to the advantage of the industrialized countries themselves. He therefore proposed the addition of the phrase "from those countries where the relative abundance of capital threatens to reduce employment" after the word "promotion".

Dr. COOMBS (Australia) thought that the idea put forward by the Delegate for the Lebanon should be placed in that section of the Charter which dealt with industrial development. Indeed, it was already under discussion in the Joint Committee concerned with this subject.

In his view, it would be inappropriate to include this idea in a Resolution which was designed for the particular purpose of emphasizing that there were possibilities of emergency action in times of deflationary pressure, which could be instituted by the various international agencies.

Mr. MEADE (United Kingdom) supported this view. He did, however, agree with the Delegate of the Lebanon regarding the desirability of pointing out that the flow of capital developed countries to the under-developed ones was advantageous to both, and suggested that the last line might be amended to read "to enable them to maintain their demand for the products of other countries and their domestic policies for full and productive employment."

This amendment was acceptable to Mr. HAKIM (Lebanon). He also agreed with the general point of view expressed by the Australian and United Kingdom Delegates.

Mr. LOKANATHAN (India) suggested that the word "them" might be omitted and the phrase read "in order to ensure the maintenance of the demand for.....".

Mr. FRESQUET (Cuba) considered that the original text was sufficiently explicit. He feared that if additions were to be made, emphasis might be laid on some point and omitted on other points.

Mr. MEADE (United Kingdom) was inclined to support the view for adhering to the original text. He proposed that it be retained without change, the matter being left to the Joint Committee where it properly belonged.

This was agreed to and the Draft Resolution as a whole accepted.

Adoption of the Report

The CHAIRMAN stated that the Sub-Committee's report, as amended and subject to the reservations and understandings indicated, had now been adopted as the Committee's report.

Appointment of the Rapporteur

The Committee unanimously approved the Chairman's suggestion that Mr. MEADE (United Kingdom) act as Rapporteur. Mr. Meade undertook to redraft the report to include the various points which had been made for submission to the Committee at its next meeting, which would be held the next week.

Vote of Thanks to the Chairman

Mr. MARTINS (Brazil) wanted to pay tribute to the efficient and courteous way in which the Chairman had conducted the discussions of the Committee. The Committee had indeed beaten a record in terminating its labours at an earlier date than had been anticipated, and this satisfactory result was due in no small measure to the tact and patience displayed by the Chairman.

The CHAIRMAN expressed his gratitude to the members of the Committee for the very kind words which had been expressed by Mr. Martins on their behalf.

The meeting rose at 6 p.m.
