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**REPORT OF THE DRAFTING COMMITTEE OF THE PREPARATORY COMMITTEE
OF UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT**

CHAPTER III

EMPLOYMENT, EFFECTIVE DEMAND AND ECONOMIC ACTIVITY

The text of Chapter III as redrafted by the Drafting Committee appears in document E/PC/T/C.6/W.25 and as redrafted by the Legal Drafting Sub-Committee in document E/PC/T/C.6/W.73.

The comments given opposite to the respective Charter text specify the changes introduced in the Charter as adopted at the First Session of the Preparatory Committee only if these changes are of particular importance or when it was considered desirable to indicate the reasons for the changes made.

Delegates are requested to supply in writing to the Secretariat by Monday morning, 24 February, any observations they may wish to make on this document.

CHARTER

CHAPTER III

EMPLOYMENT, EFFECTIVE DEMAND AND ECONOMIC ACTIVITY

Article 3

Importance of Employment in Relation to the Purposes of the Charter

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 high and steadily rising effective demand for goods and services is not of domestic concern alone, but is a necessary condition for the expansion of international trade, for the well-being of other countries, and in general for the realization of the purposes of the Charter.
2. Members agree that, while the achievement and maintenance of effective demand and employment must depend primarily on domestic measures, such measures should be assisted by the regular exchange of information and views among Members and, so far as possible, should be supplemented by international action sponsored by the Economic and Social Council of the United Nations and carried out in collaboration with the appropriate inter-governmental organizations acting within their respective spheres and consistently with the terms and purposes of their basic instruments.

COMMENTARY

CHAPTER III

EMPLOYMENT, EFFECTIVE DEMAND AND ECONOMIC ACTIVITY

GENERAL COMMENTS

It was felt that Article 5 of the Charter drafted at the First Session, referring to the development of national resources and productivity, ought more logically to appear in Chapter IV on Economic Development. Article 5 was, therefore, removed from Chapter III and inserted in Chapter IV as Article 10. With a view to expressing more adequately the sense of Chapter III, the title was amended to read "Employment, Effective Demand and Economic Activity".

SPECIFIC COMMENTS

Article 3

As it was felt that the title of Article 3 was too narrow in relation to the contents of this Article, it was amended to read "Importance of Employment in Relation to the Purposes of the Charter".

1. The importance of the achievement and maintenance of useful employment opportunities for those able and willing to work and of a high and steadily rising demand for goods and services was further stressed by adding the phrase "for the well-being of other countries" after the words "expansion of international trade".

2. It was felt that the last sentence of paragraph 1 as drafted at the First Session was intended to set forth an undertaking, whereas Article 3 otherwise merely contained a recognition of principles. The sentence in question was, therefore, deleted from Article 3 and inserted in Article 4 as paragraph 2.

Article 4

Maintenance of Domestic Employment

1. Each Member shall take action designed to achieve and maintain full and productive employment and high and stable levels of effective demand within its own jurisdiction through measures appropriate to its political, economic and social institutions.
2. Measures to sustain employment and demand shall be consistent with the other purposes and provisions of this Charter and in the choice of such measures each Member shall seek to avoid creating balance-of-payments difficulties for other Members.

Article 5

Fair Labour Standards

Each Each Member recognizing that all countries have a common interest in the maintenance of fair labour standards, related to national productivity, shall take whatever action may be appropriate and feasible to eliminate sub-standard conditions of labour in production for export and generally throughout its jurisdiction.

Article 6

The Removal of Maladjustments in the Balance of Payments

Members agree that, in case of a fundamental disequilibrium in their balance of payments involving other countries in persistent balance-of-payments difficulties, which handicap them in maintaining employment, they will make their full contribution to action designed to correct the maladjustment.

Article 7

Safeguards for Members Subject to External Deflationary Pressure

The Organization shall have regard, in the exercise of its functions as defined elsewhere in 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 4

As explained above, the last sentence of paragraph 1 of Article 3 of the former text was incorporated as paragraph 2 of Article 4. In addition to some minor drafting changes in this Article, the words "other countries" in paragraph 2 were replaced by "other Members".

Article 5

1. It was suggested that a reference to the International Labour Organization, whose functions include the problem of maintaining fair labour standards, should be inserted in this Article. However, on the understanding that the main work in this field should be carried out by the International Labour Organization and that, most Members being also members of that Organization they would normally co-operate closely with it in giving effect to the undertaking set forth in Article 5, it was agreed that such a reference was superfluous.
2. The Chinese Delegation reserved its position with regard to this Article.

Article 7

The Delegate for France considering a serious decline in effective demand as having effects in all respects comparable to those of a crisis of overproduction, was of the opinion that Article 7 should establish a procedure similar to that laid down in Chapter VII with a view to meeting crisis of overproduction in certain commodities (document E/FC/T/C.6/W.24).

Article 8

Consultation and Exchange of Information on Matters Relating
to Employment

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; and
- (b) for consultation with a view to concerted action on the part of governments and inter-governmental organizations in the field of employment policies.