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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT.

NOTE BY THE SECRETARIAT

The attached comments and suggestions relating to the text of the Draft Charter as contained in E/PC/T/34 have been received from M. Duret, representative of the World Federation of Trade Unions. In accordance with the established procedure the attached paper will be considered, in the first instance, by the Consultative Committee (Non-Governmental Organizations).

AMENDMENTS TO THE I.T.O. DRAFT CHARTER  
PROPOSED BY THE WORLD FEDERATION  
OF TRADE UNIONS

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ARTICLE 3.

We propose the addition of the following phrase at the end of Article 3 :

"by the systematic application of a policy of full employment".

Our proposal is based on the following considerations:

We note, with disappointment, that the work of the New York Drafting Committee has been based only to a very slight extent on the Report of the First Session of the Conference in London.

The term "full employment" is used only once, incidentally, in Article 4. In our opinion, it is far less important to establish whether genuine full employment is really feasible than to take a stand for or against a policy, the general implications of which are well-known, and which is designed to achieve the maximum development of productive resources while avoiding through a rational policy of economic planning and redistribution of purchasing power the otherwise inevitable crises. The W.F.T.U. has defined a full employment policy capable of very wide application and valid for all the nations whose workers it represents.

We are re-stating a thesis which we have put forward on many previous occasions. In some countries, the most advanced economically, the crux of the problem is to guarantee regular employment for the whole of the labour force. The pre-requisites of this policy seem to be the restriction of working hours and a simultaneous increase in the wages paid to workers.

A general policy of re-distributing purchasing power must also be adopted, for without such a policy there cannot be a stable and steady expansion and a more equitable distribution of the national income. In other countries, sometimes called the economically backward countries, the problem assumes a different form. In such countries it may be impossible to regard the position as satisfactory even though all the available resources of manpower are fully employed. Indeed, if the protective measures used are out of date, an absence of visible unemployment can exist side by side with a very low level of national income and wretched living conditions for the population as a whole. In such countries, even in the absence of marked unemployment, there is nevertheless latent or concealed unemployment against which action must be taken. In such countries therefore a full employment policy consists in the maximum expansion of the national income, the provision of modern equipment and at the same time the effective employment of manpower on this new basis. It is most essential that such countries should be able progressively to close the present gap between their economic development and that of the countries most advanced economically. What is required therefore is a complete reversal of the present tendency, for during the last twenty years this gap has, on the contrary, steadily tended to become wider.

Lastly, there are countries whose potential economic development is greatly in excess of their reserves of manpower and which cannot, therefore, employ their productive potential to the full without the introduction of foreign labour. The economic development of such countries has, moreover, frequently been retarded - especially since the war and enemy occupation - by a shortage of equipment and raw materials.

The aim of a full employment policy should, therefore, be to place at their disposal greater resources of manpower and more up-to-date equipment which, by enabling them to develop their productive potential and expand their national income will be a valuable contribution to international trade.

A full employment policy of the kind I have described therefore has very wide implications. In all countries it implies a policy of increasing the national income and redistributing purchasing power in favour of the working classes. It also demands a redistribution of purchasing power between the different countries of the world, rich and poor, which in turn requires a comprehensive system of international loans.

We have already asked whether our ideas correspond to those of the other Members of the Conference. We are putting the same question again for it is our wish that the need for the systematic application by all countries of a policy of full employment.

We duly emphasised we would draw attention to the resolution on employment and economic development adopted by the Economic and Social Council on 28 March 1947, which stresses the need for action "to maintain world full employment and economic stability".

In our opinion, paragraph 2 of Article 3 should be reworded as follows:

"Members recognize that a distinction must be made between action to promote full employment when unemployment or under-employment result from the lack of effective demand, and action which is appropriate when, as in devastated areas or undeveloped or under-developed countries, the obstacle is the deficiency of certain factors such as equipment, fuel and raw materials which are necessary to employ productively the available supply of labour. Where this is the case, the regular exchange of information and views among Members shall be supplemented by international action."

Our amendment is designed to establish a distinction between countries able to carry out a policy of full employment through the use of their own resources, and countries which must for this purpose rely mainly on assistance from abroad.

In the main, our amendment merely reproduces part of the Economic and Social Council's resolution on employment and economic development, of 28 March 1947. (E/PC/T/56)

ARTICLE 4

We propose the two following amendments to paragraph 2 of Article 4:

"(a) All the provisions of this Charter are to be interpreted in the light of the necessity of carrying out a policy of full employment on the international scale.

(b) In the choice of such measures each Member shall seek to avoid creating balance-of-payments difficulties for other countries."

In our view, these amendments are justified by the following considerations:

(a) In accordance with the opinions which we have many times expressed in the course of this Conference, the achievement of full employment must constitute the essential objective of the I.T.O., an objective to which all others must be subordinate.

(b) We prefer the text drawn up in London to the New York wording. This second version might well give rise to what, in our opinion, would be a dangerous interpretation. It might induce the belief that States adhering to the I.T.O. should adopt a very different policy towards Members from that which they adopt towards non-Members. Further, the New York text seems indirectly to take a definite stand on the tenor of Article 36, which has so far been kept out of the discussion.

We believe that disequilibrium in the balance of payments, even among non-Member states would be harmful to the expansion of international trade.

Sooner or later, directly or indirectly, Member countries would feel the ill-effects of this disequilibrium. A definite choice must be made between the concept of the universality of world trade which seemed to be that held by the promoters of the Charter, and that of the partition of world trade which would inevitably lead to a "bloc" policy.

ARTICLE 5

We propose that the present terms of Article 5 be modified as follows:

"Members, recognising that all countries have a common interest in the maintenance of fair labour standards, related to the productivity of each country, agree to take whatever action may be useful and feasible:

(a) to eliminate sub-standard conditions of labour in all sectors of production;

(b) to improve labour conditions in proportion to the national productivity of the country in question.

"Members recognise that expansion of production shall in no case involve a reduction in the wage-earners' share of the total national income".

Wages in industries producing for export, and wages in industries producing for the domestic market are closely inter-dependent.

Members must be prevented from following a low wage policy in any industry, for by so doing they are practising what is in fact a social dumping. Naturally wages cannot be fixed at the same level in all Member States; historic and economic factors conditioning the national income, etc., must be taken into full account, but there too it is essential to reverse the general tendency and consider the relative importance of the wage-earners' share in the national income. Member States must avoid any reduction in the wage-earners' share of the total real income.

ARTICLE 6, 6A and 7

We propose the following amendment to Article 6 :

"Members with a consistently adverse balance of payments shall undertake to correct the maladjustment by appropriate action.

The main contribution to the re-adjustment shall, however, be made by those countries whose consistently favourable balance of payments exerts pressure on the economies of States with an adverse balance.

States with a consistently favourable balance of payments shall, within a reasonable period, take appropriate measures to correct the maladjustment."

We propose that this be followed by an Article 6 (a) worded thus :

"Recognising that it is more important and more efficacious to forestall a deflationary crisis than to restrict its effects, Members shall undertake to prepare the necessary machinery for this purpose and to set it in motion at the appropriate time".

We propose the following amendment to Article 7 :

"Should a crisis nevertheless arise, the Organization shall prescribe discriminatory measures against the exports of countries affected by the depression whose balance of payments is consistently favourable. Countries affected by the crisis shall take appropriate measures to endeavour to attain a true economic adjustment."

It is difficult to elaborate an economic theory based on the definition of fundamental disequilibrium in the balance of payments advanced by the "Cambridge School". It is more useful to define the relative importance of disequilibrium in the balance of payments of different States where some small countries have an adverse balance over a long period and some large States a consistently favourable one. In such cases the two categories of States injure each other and prevent the expansion of international trade.

But how is responsibility to be allocated as between the different States? It depends on their size and relative power and on the specific importance of their economy to world economy. In present circumstances the excessive favourable balances of certain large countries may be regarded as the main reason for the fundamental disequilibrium of international trade. Correction of this disequilibrium is now the primary necessity.

The W.F.T.U. groups the labour organizations of countries with favourable balances as well as of those with adverse balances and is guided solely by the logic of impartial analysis.

The appropriate measures for correcting a fundamental disequilibrium in the balance of payments are enumerated in the Report of the Preparatory Committee as follows:

"The stimulation of imports or the removal of special encouragements to exports,

"an appreciation of the country's exchange rate,  
"an upward revision of its internal price and cost structure,  
"an increase in foreign investment etc."

We would add to these, and this is a point to which we attach the utmost importance, systematic application of the policy of full employment, redistribution of income, and increased purchasing power of the masses. This is not just a slogan but a definite economic policy. It is only by the systematic application of such a policy that the balance of payments can be adjusted and a deflationary crisis from over-production prevented.

We believe, in spite of appearances, that it is easier to prevent an over-production crisis than to have to overcome it and restrict its effects. That is why we still regret that certain proposals of the Preparatory Committee were not retained. The Preparatory Committee proposed "the synchronization of credit policies so as to ease terms of borrowing over a wide area in times of general deflationary pressure, arrangements to promote stability in the income, and so in the buying power, of producers of primary products, the timing of expenditure on international capital projects and the encouragement of a flow of capital in periods of world deflationary pressure to those countries whose balance of payments needs temporary support in order to enable them to maintain their domestic policies for full and productive employment".

We believe that these proposals could be supplemented by preparing in advance plans to be put into effect if a depression threatened to spread from an important country to other countries. Such plans should preferably be financed under guarantee from the Members of the Organization.

This system would mean adopting, on the international plane, the domestic policy followed by States for securing stability by hastening the application of plans and developing

new schemes to prevent a falling-off in demand. Countries with a strained balance of payments position, but which are not undeveloped countries and merely need foreign capital, would thus be able to correct such maladjustments, without resorting to measures which might endanger their own prosperity or that of other countries. Definite provisions should be prepared and incorporated in the Charter.

These rules should be designed, in the event of an increased demand resulting from international investment to direct a proportion of the orders to industrialised countries with an adverse balance of payments, so as to enable them to correct the deficit.

Countries suffering from a slump must pursue an active policy against depression. The 1929 crisis proved that depressions are not followed by automatic recovery. If a great nation suffering from a slump insisted on believing in economic automatism and allowed the slump to continue, it would spread across the world and the expected recovery would not take place; hence the need for active measures against depression, the most striking example of which was President Roosevelt's New Deal.

The policy of full employment provides the surest means of forestalling a crisis; whatever may have been said on this subject, it is only a policy of planned economy and purchasing power that can put an end to depression. If all these measures were insufficient to prevent depression from spreading, some procedure should be established for multi-lateral action against the exports of countries which, though not subject to any strain in their balance of payments, suffered from depression and falling prices. The unilateral action provided for in Article 7 in regard to safeguards for countries subject to external deflationary pressure, taken in conjunction with Articles 34 and 35 regarding protective action and consultation, would, in general, allow countries whose industry worked exclusively for the domestic market to be protected against external pressure.

Such protection would be insufficient for the majority of industrialised countries whose exports had to compete in other markets with the emergency dumping of countries suffering from a depression. It would be insufficient because other countries might not wish, or might not even be in a position, to apply Article 7. We therefore recommend that the Organization itself should decide on general discrimination by all Members against the exports of a country suffering from a depression, but with a consistently favourable balance of payments. In conclusion, we revert to the need, in order to ensure economic stability, of increasing the direct or indirect share of the working masses in the national income, increased productivity being taken into account. In this connection Section B of Chapter 1, part 2 of the Report and Article 6 of the Draft Charter, are inadequate.

CHAPTER 4:

Article 9:

We propose that the following sentence be added at the end of this article: "provided it is accompanied by a clear-sighted and rational economic and social policy".

The "classic" colonial policy, while it brought technical progress to backward countries, usually led also to all kinds of disturbances and even great poverty. Dislocation of their natural economy and of primitive institutions, when brought into contact with capitalist economy, is a very painful process. A clear-sighted and rational economic and social policy is indispensable to tide over the period of transition and to ensure that economic development is accompanied by increased prosperity and well-being. A policy of large-scale capital investment may greatly accelerate economic evolution.

Care must, however, be taken to prevent such an investment policy from becoming a means of exerting pressure, either on the occupying country, or on the native population.

Article 10:

After the word "productivity" we ask that the words "and employment" be inserted, since the two terms are not synonymous.

Article 11:

Paragraphs 1 and 2 - Co-operation by the World Federation of Trade Unions, which unites 71 million workers, seems to us indispensable to the promotion of industrial and general economic development. Apart from its moral authority, the W.F.T.U. represents the "labour" element without which any productive effort is impossible.

We therefore ask that after the words "inter-governmental organizations" be added the words, "and the W.F.T.U."

Article 12:

Paragraph 1 - We ask that the word "labour" be added after the words "managerial skill".

Paragraph 2 - We should like a definition of the term "unreasonable action". Is nationalization an unreasonable action?

We also request elucidation of Article 61, paragraph C. Are elements "brought from one country to another" to have equal treatment or special treatment? Does it mean equitable application of the laws of the country or a special régime which would be a preferential one?