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

Draft Charter

Article 6. - Amendment proposed
by Australian Delegation.

In the Report of the First Session of the Preparatory Committee (Part II, Chapter I, Section E, page 5), it was recognised that a country could exert a deflationary pressure on other countries if it was persistently buying from abroad and investing abroad too little in relation to its exports.

Although it was agreed that in some circumstances the countries experiencing unfavourable balances of payments might themselves be partly responsible for the maladjustments, it was also agreed that the prime responsibility would normally lie with the country having the favourable balance. The particular measures which it should adopt (e.g. the stimulation of imports, an increase in foreign investment etc.) would of course be determined by the Government concerned.

In our view, the more important considerations which the Article should express are :-

1. If a Member's persistently favourable balance of payments involves other Members in difficulties, there should be a clear obligation on the first Member to take appropriate action designed to correct the situation.
2. Any detailed description of the type of action required should not be set out, since the appropriate measures would depend upon the circumstances of each case. In some cases individual action solely by the country having a favourable balance might be sufficient, in other cases consultation and joint action with other Members or with the Organisation, the Monetary Fund or the International Bank might be desirable.
3. It should be recognised that in some cases the disequilibrium might be at least aggravated by factors within the control of the countries experiencing balance of payments difficulties. Insofar as this is so, therefore, Members with unfavourable balances should also be under obligation to do what they can to assist in correcting the disequilibrium.
4. To the extent that there are alternative ways of correcting a disequilibrium in balances of payments, Members should aim to adopt measures which tend to expand world trade in preference to those which tend to contract it. For example, a country with a persistently favourable balance should aim, if practicable, to take action to increase imports rather than to decrease exports.

Since there may be some doubt whether the present wording clearly expresses these considerations, we suggest that the Article should be amended to read as follows:

ARTICLE 6.The removal of Maladjustments in the Balance of Payments.

1. If the balance of payments of a Member is persistently favourable, to such a degree that the disequilibrium involves other Members in balance of payments difficulties which handicap them in maintaining employment or in avoiding trade restrictions -
 - (a) that Member shall take action designed to correct the disequilibrium; and
 - (b) other Members affected shall take action appropriate in the circumstances, in the light of their respective capacities and responsibilities, designed to assist in correcting the disequilibrium.
2. Action taken by Members in accordance with this Article shall be through measures appropriate to their respective political, economic and social institutions, and shall be taken with due regard to the desirability of avoiding any unnecessary contraction of world trade.