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

VERBATIM REPORT

FOURTH MEETING IN EXECUTIVE SESSION
HELD ON TUESDAY, 20 May, 1947 AT
10.30 A.M. IN THE PALAIS DES NATIONS.

GENEVA

M. MAX SUETENS (Chairman) (Belgium)

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CHAIRMAN: The meeting is called to order. The first point on our Agenda is the Report of the Steering Committee on the Charter discussion. This Report has been the subject matter of paper number E/PC/T/72, dated 19 May 1947. Mr. Hawkins, who is the Chairman of this Steering Committee, will give us a brief report on the work of his Committee.

Mr. HAWKINS: You all have the document E/PC/T/72 and I hope you have read it. The Steering Committee held two meetings and endeavoured to work out a plan for the consideration of Chapters V, VI and VII, which would be practicable and which would facilitate the exposing of those Chapters. The general plan proposed by the Steering Committee is that there should be full discussion at the meetings at which all delegations are represented, and that the effort should be to dispose of the general discussion in two days on each of the indicated parts and the purpose of the general discussion should be to bring out all view points and to ascertain where the issues are. Then small Sub-Committees will be appointed to consider those issues and to try to bring back to the full meetings, drafts which will reconcile the different view points. To facilitate the work it seemed necessary that we should be able to deal with Chapters IV and V and Chapters VI and VII simultaneously. We therefore propose that there should be two Commissions. Commission A would deal with Chapters IV and V; Commission B with Chapters VI and VII. You will notice that in the appended schedule the meetings of those two Commissions would now conflict. It is nevertheless desirable that delegations be separately represented because ^{as} the programme develops conflicts are

likely to result. The reason for that is that the Sub-Committees appointed by one of the Commissions will have to report, and the meetings of the Commissions will have to be sketched so that the blank spaces in between the meetings of the Commission which we have shown, will be filled in for the purpose of completing reports of the Sub-Committee. That, as I said, will result in conflicts or rather simultaneous meetings of the two Commissions.

It is, in the opinion of the Steering Committee, very important that amendments begin on the dates indicated in the schedule, that they should be on those dates in order that there be ample opportunity for all delegations to consider them before they come up for discussion in the Committee. Normally, in those cases, there is a four-day interval between the time the amendment is due and the time when it will be discussed. However it is necessary that there be no medium possible for an amendment to be put in at any time. It is provided here, in the Committee's proposals, that amendments can be put in at any time, but if they are late, that is to say if they are later than the dates indicated, they would not be discussed in the full meetings but would be referred either to a Sub-Committee set up for the purpose or to a Steering Committee which would then report back to the appropriate Commission on them.

I think, Mr. Chairman, those are all the comments I need make. The documents I hope are quite explanatory and I hope that the schedules of the meetings will be found satisfactory.

CHAIRMAN (Interpretation): I want to thank Mr. Hawkins for his explanation. Does anybody wish to speak on the Report?

M. F. GARCIA OLDINI (Chile) (Interpretation): Like everybody here, I also want to speed up the work of the Committee as much as possible and come to conclusions as speedily as can be done. I may say, however, that the experiences of these past days have shown that it is impossible to foresee exactly the length of discussion of each Article. We cannot say now that so many days will be needed for this or that part of our discussions. The other day, you will remember, the Working Party's Chairman himself said that we are here to resolve difficulties and not to bury them. If we speed up too much, if we adhere too much to a schedule, we may incur the danger of burying difficulties instead of resolving them.

We have seen, in the Working Party, that things which appear easy at first are not always as easy as they appear. It is sometimes difficult to conciliate the opinions of various Delegates on one single word and this unity of opinions is not always possible even between single countries, not to speak of groups of industrial countries, which sometimes cannot easily agree to certain terms.

Therefore I think that we cannot act in such a strict way as is suggested here. It would be easy, for instance, to ask Mr. Ford to produce a determined number of cars each day, or Mr. Bata to make so many pairs of shoes, but we cannot ask a Committee like ours to prepare and have ready a fixed number of Articles each day. I believe therefore that we should not adopt a too strict schedule. We can better resolve our problems if we have a slightly more elastic plan of work.

Moreover, all the Delegations have not 50 or 60 Members and cannot send people to all the meetings at the same time; they cannot send people to the tariff negotiations and to Committee A and to Committee B, and so forth. If a rigid plan is adopted, this danger might face these small Delegations. For instance, I myself could not take part in a meeting of the Working Party the other day, because I was in another Committee. When I arrived at the Working Party Meeting, I found that an Article in which my country was specially interested had already been adopted and the observations which I wanted to make could not be made. I had to ask to make a reservation on this after the discussion had taken place.

For all these reasons I would appeal to you, without giving you a definite plan, to have more elasticity in the way the meetings are planned and to permit those small Delegations to send members to all the meetings.

CHAIRMAN (Interpretation): I would like to tell the delegate of Chile immediately that I have listened with a great deal of attention to his remarks and that certainly they are worthy of very careful consideration. There is no doubt that we must give to all delegations the possibility of studying the different questions, of propounding their points of view and trying to get together with a unanimously agreed text.

However, we are faced with two contradictory necessities. The one, as I have just explained, is the necessity of getting very deep into the problems and trying our best to come to a unanimous conclusion on facts which are still in dispute. On the other hand it would be wrong to think that we can do without a deadline. We must fix a deadline to our work. First of all, all delegations are not prepared to stay here indefinitely, and, on the other hand, it is not even certain that the rooms of the Palace of Nations could be at our disposal for an unlimited time. There are other organizations who are already making plans to use the very same facilities of the Palace of Nations.

Therefore I would appeal to the delegate of Chile to reconsider the plan which has just been outlined by Mr. Hawkins. It gives some kind of flexibility to the whole proceedings. At the same time I would like to appeal to him again to place his confidence in the Chair and in the Steering Committee. If some more flexibility is needed in that time schedule of negotiations, which will be brought about if certain delegations need more time to study questions or to make the remarks they feel they should make, some special allotment of time could certainly be made to them. Therefore I would appeal to the delegate of Chile to consider the remarks I have just made.

M. CARCIA-OLDINI (Chile): (Interpretation): Mr. Chairman, I listened very carefully to the observations you just made and I understand perfectly well that we have to choose between the best possible work of our meeting on the one side and the time limits which are set, both to the delegations and to the occupancy of the rooms in this building, on the other. If I had to choose between those two alternatives, I would personally choose the first. I think the best work that we can do is to get results.

The delegates, of course, know that there is a deadline to the work of this meeting and that we also have the rooms at our disposal inside a deadline. Therefore I still believe that we can give some more flexibility to our meetings inside this deadline. It is not so much a question of giving facilities to the delegations - I am perfectly convinced that you, Mr. Chairman, and the others are ready to give all the facilities you can to the delegations - but it is more a question of the discussions themselves. Sometimes we have to discuss longer on a certain point than we expect, and in this case I understand the procedure would be that the Chairman would shorten the discussion on certain points which cannot quickly come to a solution and refer them to a sub-committee. But those discussions in sub-committees, from my point of view, are not always as satisfactory as the discussions in full meetings. In full meetings we can examine the problems from all sides and we can sometimes get better results.

With these observations, Mr. Chairman, I hope you will take my wish into consideration, and not only mine but also that of other delegations.

CHAIRMAN (spoke in French - no interpretation).

M. GARCIA-OLDINI (Chile) (Interpretation): Mr. Chairman, I have had no time at my disposal. In one hour I could not prepare concrete suggestions. My suggestion is simply that you study the possibilities at hand.

CHAIRMAN (Interpretation): Does any other delegate want to speak on the subject?

Dr. J.E. HOLLOWAY (South Africa): Mr. Chairman, I would like to make a suggestion which the Steering Committee might consider. I notice that Chapter II is not scheduled for discussion at an early stage. It seems to me that Chapter II is the right place in which relationships with eventual non-Members will come up for discussion. Now that seems to me to be something which requires a general discussion at an early stage, because the nature of the relationship between Members and non-Members is going to influence our views on a number of paragraphs. If the place outside the Organization is going to be a Gehenna where there will be weeping and wailing and gnashing of teeth we shall naturally be prepared to accept much bigger obligations. On the other hand, if it is going to be a pleasant spot where we can have all the benefits of membership without any of its obligations then again it changes our views on a large number of Articles. I would suggest that a general discussion on the subject should be scheduled fairly early on.

I think there are two main things that require consideration: the one is whether a country which is not an original Member can be admitted on a purely majority vote; and the second is the application of the Most Favoured Nation Treatment clause to non-Members. I do not want to go into the merits of that. I mention these two examples just to show how important it is at an early stage that we should have a general discussion on Articles which influence other Articles.

CHAIRMAN (Interpretation): I would like to point out to the delegate of South Africa that contractual relations with non-members, Article 36, is scheduled to come up for discussion on Thursday, 5th June or Friday, 6th June, and that therefore I say we have taken into account the wishes of the delegate of South Africa.

THE RT. HON. WALTER NASH (New Zealand): There is another point that could be widely considered and may avoid some lengthy debates, and that is that there are probably in chapter III subjects that are normally linked with those in chapters IV, V and VI.

If a little latitude was allowed in the discussion on chapter III, and we could go to other chapters (Provided it was not trespassing too much on the principles of the other chapters, for which time is provided), it might really save time and avoid some discussions, because it might be provided for later if an amendment were put in on a certain point. The idea I have in mind in connection with Article 3 and 4 and 13 - these are points which might justifiably call for amendment - is that amendments might reasonably be avoided if some other provision were made later in the chapter, where we could probably come in with regard to one subject.

CHAIRMAN (Interpretation): I am perfectly in agreement with Mr. Nash, and I am perfectly willing to give as much latitude possible to Articles 4, 5 and 6 and any aspect of chapter III, and even of other chapters if it would appear necessary.

MR. L. GOTZEN (Netherlands): Mr. Chairman, there is only a small question I should like to raise and that is, is it quite impossible to start the work of the Committee before the date which has now been set, that is, Tuesday, 27th May? Is it quite impossible to start work this week with the Committee so as to speed up matters a little?

CHAIRMAN (Interpretation): I am afraid it will be impossible, Sir. The matter is very important and we have chapter III to discuss now, and we have tomorrow and Thursday a Chilean amendment relating to the most-favoured-nation clause, which will take up quite a time. Of course, if it is at all possible, we could start before, but I am afraid it will not be possible.

MR. L. GOTZEN (Netherlands): I thought that Article 4 had to be considered first by the Committee in general before we start discussions on that.

Mr. HAWKINS: The reason for only beginning next week is because this week, as you have indicated, was pretty fully scheduled with Chapter 3. Thus, in fact, you of Commission A are now dealing with Chapter 3, and you have Article 14 2 (c) which has to be disposed of in accordance with the previous decision of the Committee, which should take up possibly as much as two days. That would pretty well consume the time this week.

Also the Technical Committee is still hard at work, and should have a little more time to get their work advanced a little further.

A further reason is to give ample time and notice for getting in Amendments for the subjects coming up next week, so that Delegates will have a chance to analyse before discussion.

CHAIRMAN: (Interpretation): Any other observations?

I therefore consider, Gentlemen, that we all agree on the programme of work prepared by the Steering Committee. I, however, would wish the Steering Committee to get in touch with the Chilean Delegation and see how they can take into account the Amendment which has been suggested.

The programme is thus adopted with that reservation.

We now proceed to the second point on the order of the day, which is Chapter 3, which deals with "Employment, Effective Demand, and Economic Activity". It must be understood that during the study of Chapter 3, we will put into effect the rules of procedure proposed in the programme just adopted.

Before we even start I would like to bring to the notice of

the Commission that Mr. Nash, who is the Vice-Premier of his Government, and who has taken a most important part in our discussion, would like to make some general remarks on Chapter 3. As Mr. Nash is scheduled to leave to-morrow, I will, with your kind consent, give him the floor whenever he likes.

Mr. NASH (New Zealand): I would like to say, Mr. Chairman, how much I appreciate your courtesy in making this provision. I did not intend to talk this morning, but if it is convenient I would be pleased to talk at once.

I had in mind, though, that we might have discussed some questions around 3 and 4, and also 6 and 7, before I came to make the point that I desired to make; but if it is most convenient for the Committee now, I will be glad to proceed.

CHAIRMAN: (Interpretation): I am quite prepared to act according to your best convenience, Sir.

Mr. NASH (New Zealand): If you really think it would be better to start discussions as outlined by you before we take the floor, I am quite prepared to do according to your wish.

Could I then say this, Mr. Chairman - because I do appreciate that you are trying to help me - that I can come on at 3 o'clock, unless the discussion tends to flag and no one else has anything to say; and then at that point I will be glad to come in at or earlier than 3 o'clock.

CHAIRMAN: (Interpretation): That is entirely agreed, Sir. Gentlemen, we shall now proceed to the study of Chapter 3, ~~Article by Article, as I believe you have all read~~

Article by Article, as I believe you have all read the very complete and useful document prepared by the Secretariat. It is an annotated Agenda which relates all the Amendments to the Chapters and to the Articles as they have been drafted now.

As you know, Gentlemen, it is my intention to set up as soon as possible a Committee which would be charged with the definite drafting of this part of the Charter, therefore I would like to suggest that only Amendments of substance would be discussed in this Meeting, and that Amendments of a drafting nature should be left over for the Committee which I am going to set up.

Therefore I would like to invite anybody who has an Amendment of a substantive nature to present to take the floor now.

I shall start the discussion with Article 3, "Importance of Employment in relation to the purposes of this Charter," and with paragraph 1 of this Article.

Dr. GUSTAVO GUTIERREZ (Cuba): Mr. Chairman, I wish to emphasize the importance to the Cuban Delegations of the question of the title of this Chapter, and also the necessity of drafting a paragraph to be inserted as No.1, thus making the actual No.1 No.2, and the actual No.2, No.3.

In the actual draft, this Chapter is entitled "Employment, effective demand and economic activity". Both the United States Delegations and the Cuban Delegations have presented remarks in relation to that order. If, as has been done in the Charter, we put employment first, effective demand afterwards and economic activity, we might be leading to some very critical political entanglements. We do not consider that the actual economic problem of the world must be based in the first instance on the necessity of employment. It is, of course, of the utmost importance; but employment is not created wholly by will, it must be created by real facts of economic life, and by placing production before employment.

We consider that in order to foster or increase production, it is absolutely necessary to have demand, because production by itself would lead to over-production, and it cannot be corrected by lowering tariffs, by commercial treaties or by any other means but creating a real and effective demand. We avoid the use of the words "effective demand", because we do not want to come into the theoretical discussion of scholars and professors about that meaning, and we simply think that the title, if written down without qualification as to the different essential items of it, would be enough--just saying, as we have proposed, "demand, production and employment".

Now I come to the explanation of this in the first paragraph that we have the honour to submit for the consideration of the distinguished members of this Committee: We think that this Article 3, as it is actually drafted, has not the principle inserted in it, and that we must put at the beginning of this Article a very clear principle, reading more or less like this:-

"The Members recognize the interdependence of demand, production and employment in the achievement and maintenance of economic stability. They recognize also that the achievement and maintenance of a large and growing demand, high and stable production and useful employment opportunities are the responsibility not exclusively of Governments but of all sections of society acting in cooperation."

I think that we must say very clearly to the world that Governments are not going to perform miracles, that they need the cooperation of all the sources of economic life--of the capitalists, the manufacturers, the bankers, but also, of the same importance, the wholehearted cooperation of the labourers and the workers. We cannot put all the possibilities of life into the charge of Governments, not even the State. We still believe in the possibilities of free enterprise and economic liberty, and we have to try to reconcile the two divergent points of view in this matter. That is why we think that it must be emphasized that this is not exclusively the responsibility of Governments, but of all sections of society acting in cooperation.

Mr. CLAIR WILCOX (United States): Gentlemen, you remember perhaps that in the evolution of the title and text of this Chapter in the first draft the only word that was used was "Employment". In the meeting at London the Committee added in the text of the Chapter the term "and effective demand". In the work of the Drafting Committee in New York the title of the Chapter was then changed to read "Employment, Effective Demand and Economic Activity", economic activity being added as something of an afterthought. Economic activity at first comprehends employment, demand and production. It has therefore been our suggestion that we drop the phrase "Economic Activity" and substitute the phrase "Production". The difference between our suggestion and that advanced by the delegation of Cuba is that the Cubans listed demand first, production second and employment third. We listed production first, employment second and demand third. I suppose we could argue that point at some length. It would be something like the question of which came first, the chicken or the egg. It was perfectly clear that the purpose of production is to satisfy demand and that demand is fundamental. It is equally clear that the products of economic activity provide the demand for other goods and the effective demand that makes itself out through the process of exchange. I would not be prepared to attach great importance to the order in which these three ideas are presented. But I do think, as the Charter has evolved, that those three words, employment, production and demand, are the three

that should be expressed in the title and consequently as has been suggested throughout the text. We do not suggest the elimination of the word effective qualifying demand. Our suggestion would comprehend that, in the text the first time it is mentioned, and I think it would then not be necessary to repeat it every time the word demand is mentioned or to put it in the title.

CHAIRMAN: (Interpretation): Gentlemen, we are now confronted with two different proposals. The first one concerns only the title, the second one concerns the introduction for paragraph 1 of a new paragraph and that is the proposal emanating from the Cuban delegation. As far as the title is concerned, I would like to remind you, to quote a great French author, I think it is Pascal. He said that the last thing to consider in a book was the title. We should first of all write the book and then the title would come out of the book very easily indeed, therefore I would like to leave that part of the discussion out. The first part we have now to consider is the Cuban proposal for the introduction of a new paragraph, paragraph 1 of Article 3.

Am I to consider that everybody agrees to the insertion of that supplementary paragraph?

Mr. A.H. TANGE (Australia): Mr. Chairman, the Australian delegation fully agrees with your suggestion that it would be much more fruitful to leave the discussion of this title of this Chapter until after the substance has gone into it. On the

amendment proposed by the delegate of Cuba we believe that the precedence given to economic stability by virtue of inserting this paragraph first in the Article, to some extent destroys the effectiveness of this Article. It seems to us that economic stability is not a primary purpose of economic life to the same extent as the avoidance of unemployment or under-employment which is in the existing words of the text as it stands at present. We do not say that they are not important, but we doubt whether, in the long run, the people of the world are as interested in economic stability as in the maintenance of employment. And it is, I think worth while recalling that when the Economic and Social Council called this Preparatory Commission together they did suggest - and it is true it is only a suggestion - but they did suggest that one of the functions of this Preparatory Committee was to draft an Agenda which included an international agreement relating to the achievement of high and stable levels of employment and economic activity.

Well now, I think the inference to be drawn from that is that this Charter should commence with an Article directed towards the question of employment. It may be that the emphasis which the delegate of Cuba wishes to place on economic stability could be worked into the text to give it a better balance, but on the face of it we would be opposed to inserting it at the beginning of Article 3 which would seem to us to give an order of precedence quite out of relation to what is required.

With regard to sub-paragraph (b) of the Cuban delegate's proposal, we are very doubtful about the possible implications of that paragraph. As we understand it, it would have a profound effect on Article 4, which is designed to impose a definite pledge upon members - and members means member-governments - to take action designed to achieve and maintain full and productive employment and so on. Well, now it seems likely to us that insertion of the text which says that the achievement and maintenance of large and growing demands are in stable production and useful employment opportunities are the responsibility not exclusively of governments but of all sections of society, and they may have the effect of destroying the responsibility pledged upon the governments in Article 4. I am not sure of that, but I would like to hear it discussed. The Australian delegation would oppose this.

CHAIRMAN (Interpretation): The Delegate of the United States.

Mr. CLAIR WILCOX (United States): I cannot quite understand the distinction which the Australian Delegate has drawn between economic stability and the maintenance of employment. It seems to me that the whole argument, the whole purpose of this Chapter, is directed towards the maintenance of economic stability.

With reference to his second point, I would be in complete agreement that no wording should be introduced into the Chapter that would derogate from the obligation imposed on Members in Article 4. I think the purpose of the amendment as suggested is not to do that but to indicate that Members may employ methods in achieving and maintaining employment that do not involve employment by the Government itself but that do involve employment by private enterprise. I should think that idea might be incorporated at some point in the text without in any way questioning the character of the obligation that is involved in Article 4.

CHAIRMAN (Interpretation): The Delegate for India.

Dr. D.S. LOKANATHAN (India): Mr. Chairman, I am not sure that the amendments to Article 3 proposed by the Cuban Delegation or by the U.S. Delegation constitute a substantial improvement to the text as we have it. I think the emphasis would be shifted if any substantial change is introduced into the text at this stage.

The whole purpose of Chapter III was to bring out the importance of maintaining full employment or at least as much employment as possible. If you reduce that emphasis and bring in all other things of production, and concepts of that kind, you would be really shifting the balance of that Chapter. Further, it seems to me that the substitution of the word "Production" for "Economic Activity" is not a happy substitution because, after all, however comprehensively you may interpret the word "Production", it is really less embracing than "Economic Activity". For instance, we cannot also describe all kinds of economic activity under the term "Production", such as the type of work we are now doing. It may not be production but nobody can deny it is economic activity. Therefore I think there is much to be said for having the words "Economic Activity" in preference to the word "Production".

Another point of the Cuban Delegation is that the amendment tries to emphasise the the interdependence of demand, production and employment. All that is quite true but it seems to me quite irrelevant. We are here concerned to bring out the fundamental idea of employment and that is the real basis of this Chapter. There are so many other things which may be brought in but unless everything is directed and understood in the light of the need for maintaining employment, the whole purpose of this Chapter would be missed.

I therefore think, Mr. Chairman, it is doubtful whether the sort of improvements that the United States Delegation are seeking to make are really going to be very useful.

There is also another point about demand; that "Demand" seems to be better than "Effective Demand". In reality, we all know what is effective demand. Everybody may need certain things, but that is not effective demand. Effective demand has gone into current economic usage and I do not think the substitution of the word "Demand" for "Effective Demand" will be an improvement. What we really mean is not demand but effective demand. You can have a lot of production but unless there is effective demand you cannot maintain employment. In London, I thought, all these points were taken into account and I thought a balance was reached which I should be sorry to see disturbed here.

BARON van der STRATEN-WAILLET (Belgium) (Interpretation):

Mr. Chairman, I believe it is useful to make a distinction between the two suggestions, point (a) and point (b) of the delegation of Cuba, the two paragraphs suggested by the delegation.

As far as (a) is concerned, I believe we can accept this text; we do not see any objection. But I would mention one thing. If the words "effective demand" are not inserted in the title itself, it would be good to insert the words "effective demand" somewhere at the beginning of our text so that we know exactly what we mean, and the first time the word "demand" is used it should be accompanied by the adjective "effective." I would also add the word "development - economic development", which I believe should find its place here.

As far as paragraph (b) of the Cuban suggestion is concerned, I believe the idea itself is correct but I would agree with the Australian delegate when he said we should be cautious and should not do anything which would hamper or diminish the responsibility of the Governments themselves. We believe that the Governments can and should organise the cooperation of all classes in the attainment of these purposes, but it is not for us to say that: that is an internal matter and we should not mention it in our text.

Mr. H. WILSON (United Kingdom): Mr. Chairman, I should like very briefly to support what the representative of India has said on this, and also particularly what the representative of Belgium has said on the second part of the Cuban proposal. I agree that if this Cuban amendment were inserted the main effect of it would be to alter the emphasis and weaken the force of Article 3 as it stands.

The first part of the Cuban amendment, while it is something which is certainly true, I do not think it necessary to state. It is rather an analytical proceeding to set out all the things that are in our minds as reasons for the assertion that we are making.

Secondly, with regard to the second half of the Cuban amendment this is, after all, a conference of Member-Governments and we must assume, as I am sure we can assume, that every Government here carries the support of all sections of its community and country at home in the work that we are doing here. If that were not true, I do not think the mere assertion of this half of the amendment would help to mobilise opinion in support of those Governments.

Then I would like to support also what the Indian delegate said about the inclusion of the word "production." I do not think it adds anything useful to this and it does raise a number of analytical points of the kind which the Indian delegate mentioned.

The only thing the Indian delegate said which I would not support is about the retention of the word "effective". We do not feel at all strongly about including the word "effective". I think when we say "demand", without using the word "effective", it is quite clear what we mean. We are talking about the achievement and maintenance of demand. Well, if "demand" were to be interpreted as meaning a mere desire to have the good things of life, then there would not be any need to talk about maintaining that demand, because that desire will always be there. So I think when we talk about maintenance of demand it is quite clear that we are talking about the maintenance of effective demand.

BARON VAN DER STRATEN WAILLET (Belgium)(Interpretation):
Mr. Chairman, as for maintaining the word "effective", I agree that it could be omitted, but I believe that it is just as good to maintain it, and I suggest that we still want at the beginning to insert the word in our text.

CHAIRMAN (Interpretation): Does anybody wish to speak on the subject?

DR. GUSTAVO GUTIERREZ (Cuba): Mr. Chairman, I have listened very carefully to all the explanations given in relation to our proposal. We want to explain very briefly two or three points. We are not so much bothered by the use of expression, because as might well have been seen, we have not touched paragraph 1 and paragraph 2 - they still remain there. We have not proposed to substitute the actual paragraphs 1 and 2 for a new paragraph, but simply we have considered it convenient to establish that principle at the beginning of the chapter. Secondly, we immediately have to come to the use of what we consider the most modern term when we talk of "the achievement and maintenance of large and growing demand, high and stable production and useful employment opportunity", but we really are very much afraid of this and I think we must state it very plainly.

Every time at various international conferences there is discussion about a charter, so much emphasis is put on full employment that we are facing actually a crisis in the world, where in every country workers and labourers are always asking for more wages, higher wages, less hours of work and more rights of every kind. When production has to meet those demands it has no other way but to raise prices, and everywhere in the world there is tremendous inflation - to such an extent that every time things are said here so nicely about full employment and large and extensive wages, prices go up again, and that is bad, and we have to race now for stabilization of a certain adequate level of life.

We have a very simple example. When we arrived here at Geneva, we found that we could spend but 125\$ a week per person, and we found immediately that it was impossible to live on that. Now, a few days ago, the Swiss government has authorised us to spend up to 200\$ a week. It means that the cost of living is going up so high, and there will come a moment when nobody will be able to meet that cost of living, and what will happen then? I do not dare to give the answer.

So, we are trying in this question to put emphasis not on a particular element of the economic activity, but on the necessity of the inter-dependence of the three, because we are going in a way that has been proved is not a good way, and when we talk about economic stability or economic activity we consider that employment, as well as the man and as well as production, is an essential part of economic activity. I cannot accept, from the technical point of view, the division between employment on the one side and economic activity on the other side. Employment is a very important part, although not the only part, of economic activity.

Nevertheless, we do not put any objection to the change of wording in this paragraph, but we think it is very important when we are drafting the charter of an economic organisation to establish very clearly, building an economic order based on the inter-dependence of the three elements and not only based on one.

Secondly, we have not been happy in the wording of paragraph (b), because we had not the slightest intention of taking away the responsibility of governments as set forth in article 4. We have worded it in this form - it says that the achievement and maintenance of large and growing demand are the responsibility not exclusively of Governments". We have used the word "exclusively" to mean not only responsibilities of the Government, which of course, have been set forth in Article 4, but the economic responsibility of the labourers and capitalists and merchants and agriculturalists and so forth. So, as you may see if we leave the actual paragraphs 1 and 2 with their amendments as they are - all these particular items have been considered before in London and New York - and if you have at the beginning a paragraph to put emphasis on the necessity of a balance of the three elements of economic activity, we think it would be a good idea.

CHAIRMAN (Interpretation): Then we close here the general discussion on the Cuban proposal, and will refer this proposal to the Commission which will have to study it and report to this Commission.

We now take up the discussion of the old paragraph 1 of Article 3.

Then we are now confronted with two Amendments, one from the Delegate for New Zealand and the other from the U.S. Delegation. The Secretariat would like to point out that on one side the effective demand is qualified as a steadily rising and growing volume of effective demand; and on the other side as an element of stability.

I would like to point out that these Amendments are more or less drafting Amendments, and would like to refer them to the Commission.

Mr. NASH (New Zealand): There is one thing I think should be stressed now in connection with the Amendment submitted by the New Zealand Delegation.

It is in reference to the purpose of the Charter. The purpose of the Charter, I take it, is to help trade, but is governed by something more important than that. Trade is for a purpose, and we felt that it was not for the expansion of international trade alone, but for the purpose of achieving the purposes of this Charter; and the major purpose of the Charter, I take it, is exclusively to make something, and the something we have to make is a higher standard of living for the people of all countries.

Employment resources by effective demand are a means to that end, and I take it that was the major purpose of this Charter - higher living standards throughout the world - and that is why,

whilst effective demand and employment, etc. are conditions for international trade, I think there is something more than that, and I am quite willing to let it go to the Commission, if that is the will of the Chairman.

I thought the purpose was greater - that it concerned not only international trade, but everything in the Charter, and that is why we want employment - that is why we want steadily rising effective demand for goods - to realise the purpose of the Charter for the wellbeing, not of other countries, but of all countries.

Now there may be more meaning to it than the London people or the New York people have in mind, but as I see it, it is to achieve the purpose of the Charter that we say all countries, not other countries - strike out the word "other" and insert the word "all", and that will be the general realisation of the purpose of this Charter.

Now I think that is a little better, by associating the whole Article with the purposes for which the Charter is drawn. The purpose of the Charter, as I see it, is not exclusively international trade. International trade is a means to achieve the purpose of the Charter, and I think that it is probably a little wiser, even if a little wider, to put in that the purpose we had in mind is the realisation of the purposes of this Charter for the wellbeing of all countries.

I do not mind the expansion of international trade; but it is the purpose of the Charter which, to me and the New Zealand Delegation, is more important.

Mr. WILCOX (United States): We come back again in the Amendment that we have suggested for this paragraph and subsequent paragraphs to a point that has been discussed before. That is the inclusion here of the concept of production. It is a little difficult for me to understand how there can be any objection to the idea that it is a good thing to have high levels of production and a good thing to have stability in production.

I suppose it would be possible to have complete employment and have a great deal of it unproductive. That is, we could hire people to build up pyramids and tear them down, and not produce any useful thing to satisfy human wants - but certainly that is not what any of us desire. We very clearly seek employment, but I do not think if you say that you want production it means that you do not want employment. You want people employed, and you want them productively employed. In our first Draft of the Charter, the only phrase that we used was employment, and we used that phrase to comprehend the whole range of economic activity; but we did insert in London the concept of demand, and it seems to me that to round out the picture the one concept that you need is the concept of production. As a matter of fact, that is what this whole Chapter is talking about. There is a discussion later in the Chapter about what happens when there is deflationary pressure in the event of a serious or abrupt decline in demand. It means that there is less production, factories are being shut down and people are being put out of work. I do not see how you can think about this, or talk about this, or consider it at all, and completely exclude from your thought the concept of production.

That is the reason we propose to include it.

Mr. F. GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, I want to second very heartily the suggestion made by the Representative of New Zealand. I was, in fact, when reading this text and other texts about these problems, very much struck by the fact that some people seem to consider trade as a name in itself. I believe this is much too narrow, and the objectives of the Charter themselves go much wider: they aim at a better standard of living for all people.

Considering this, and considering also that our Chairman said that this Article could go to the Drafting Subcommittee, I would ask you to examine the suggestion of New Zealand in this Subcommittee and to find a text which would avoid contradicting the ideas and the principles of the Charter. I would therefore suggest reversing the drafting, and I fully support the suggestion made by the New Zealand Representative.

Mr. H. WILSON (United Kingdom): Taking the New Zealand amendment first, I think we should certainly wish to support this proposal. It is only a re-arrangement of order, but I think it puts it into the right order, and is quite a substantial improvement on the Article as it stood before. Now, taking the United States amendment about the insertion of "production", we do not feel very strongly about this one way or the other. Certainly our feeling that it can be just as well left out does not mean that we are opposed to a high and stable or even rising volume of production. Indeed, we are at the moment in Britain very much stressing the need for increased production. The only reason we have any feeling

against putting it in is that we do not think it is necessary, because it would automatically follow from the other things which are in the Article. I quite agree with Mr. Wilcox that it is possible to have a high and stable level of employment without that leading to a high level of production, if the employment were on unproductive things. On the other hand, I think if you do have high or full employment, and if you have a maintained volume of demand, then it would certainly follow that production itself would be high and probably rising, in order to make possible a higher standard of living. I think there are a number of things such as high production, a high standard of living per head and many other things which could quite easily go in here; but I do not think it is necessary to set them all out, and therefore, on balance, we should probably be against the United States amendment to include a reference to high production.

M. STANISLAV MINOVSKY (Czechoslovakia) (Interpretation): Mr. Chairman, we had reserved as you know the right to submit amendment to Chapter III but now, after this discussion, and seeing that various other amendments cover more or less the points which we were going to raise, and also in order to speed up the discussion we will refrain from presenting a new amendment at this stage. I want however to second very heartily the suggestion made in the New Zealand amendment. We believe in fact that the necessity of indicating the objectives of the Charter are absolutely paramount and are very important. We hope therefore that the Committee will maintain this suggestion by New Zealand and more particularly the words dealing with the realisation of the objectives of the Charter.

CHAIRMAN (Interpretation): I have still more names on my list however it appears from the different remarks made here that there seems to be a strong current in favour of the New Zealand amendment. Therefore, in order to hasten our discussion, I am going to ask the Commission whether they are prepared to accept the amendment presented by the New Zealand delegation.

Mr. A.H. TANGE (Australia): We would warmly support the New Zealand amendment, but we have one minor reservation and I wonder if the delegate of New Zealand would agree to retain the word "other" three lines from the bottom of this text. It seems to us that that is quite a useful word in that it points out the

argument wherewith the proposition that the employment of opportunity will be maintained in each country, will then develop the idea that that is of benefit to all other countries and it gives, I think, expression to the sense of an international responsibility on each country for aid in maintaining employment in all other countries.

Mr. NASH (New Zealand): Could we avoid the translation that would come immediately by hearing all the other countries first?

M. NATHAN (France): Mr. Chairman, we fully agree with the New Zealand amendment. The only point I want to make is a minor one. We are afraid that the present drafting of this suggestion might perhaps give the impression that the development of international trade is not one of the aims of the Charter. I believe this is one of the aims and this would probably be taken care of by a slightly better drafting of the text.

CHAIRMAN: (Interpretation): Other remarks? Therefore the amendment of New Zealand is adopted. We have now to come to the study of the United States proposal. I am afraid that on that point the opinion is not such a clear one. I think the delegate for Holland has asked for the floor.

M. L. GOTZEN (Netherlands): Mr. Chairman, generally speaking we are quite in accordance with the amendment proposed by the United States delegation. Only there is one point I should like to raise. The amendment speaks, on one hand, of a high and stable

CHAIRMAN (Interpretation): The Delegate for India.

Dr. D. S. LOKANATHAN (India): Mr. Chairman, I would like to say one word on the amendment of the United States Delegation. We quite recognise, as Mr. Wilcox pointed out, that employment could be unproductive, and that is the very reason why we ought not to use the words "Productive Employment". Apart from that, Mr. Chairman, I think we of the Indian Delegation cannot but be greatly sympathetic to the use of the words ". . . productive employment and high and stable levels of effective demand . . .", because that is the sort of problem with which we are concerned. If, in spite of that, I felt a certain amount of hesitancy in accepting the word "Production" here, it is because production is not enough. It is the lack or failure of effective demand that is the cause of all the trouble. We know that effective capacity exists in industrialised countries, but that fails because of lack of demand and that is why the two things must constantly be taken together.

However, we are quite willing to consider this amendment of the United States Delegation in respect of high and stable levels of production, in Paragraph 1, subject, of course, to this important reservation, that the words "effective demand" should not be completely lost sight of. Unless you link up demand with production, then production by itself does not mean much. As everyone knows, you can have a high rate of production, yet people might suffer for lack of employment.

I would also support the substitution of the word "growing" for "rising". That is an improvement, I think.

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As I said, we cannot accept the text as it stands; it requires further consideration in committee.

CHAIRMAN (Interpretation): Mr. Wilcox.

Mr. Clair WILCOX (United States): There have been a number of suggestions made for detailed changes in wording, which I think indicates that this should be referred to the Sub-Committee to be reported back.

The only point I would like to make is that, as the Delegate of the United Kingdom said, it would be possible to omit the concept of production entirely, because there is implicit in employment and demand the concept of production. It would be equally possible for us to use solely the word "Production", because you do not get any production without employment. Production is carried out to satisfy demand and it provides employment.

All I am suggesting is that we recognise these three aspects of the same thing. We have the three sides of the triangle, or the three legs of the tripod, and as far as the precise wording in which the words concerned is presented, I think we can refer it back to the Sub-Committee for further discussion and reporting back to this Committee.

CHAIRMAN (Interpretation): The Delegate for Czechoslovakia.

M. STANISLAV MINOVSKY (Czechoslovakia) (Interpretation): Mr. Chairman, certain Delegates here have expressed the opinion that the words "Effective Demand" should be maintained. Nobody, however, has suggested the suppression of these words in the text, or considered them as being harmful to the Charter. Therefore I believe that we can maintain these words in the new text and I would strongly suggest that we keep them in whatever text we are

going to adopt.

CHAIRMAN (Interpretation): The Delegate of France.

M. Roger NATHAN (France) (Interpretation): I second the Czechoslovakian suggestion.

CHAIRMAN (Interpretation): To come back to the suggestion made by the United States Delegation, I believe everyone agrees to send it back to the Sub-Committee.

(Agreed).

I believe it is time to stop our work, so we will now adjourn and will meet here again at 3 p.m. precisely.

The Meeting adjourned at 1 p.m.