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

VERBATIM REPORT

NINTH MEETING IN EXECUTIVE SESSION  
HELD ON FRIDAY, 23RD MAY 1947, AT 10.30 A.M., IN  
THE PALAIS DES NATIONS, GENEVA

M. MAX SUTTENS

(Chairman)

(Belgium)

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CHAIRMAN (Interpretation): The meeting is called to order. Gentlemen, before we come to our Agenda I would like to settle the matter of the election of two Vice-Chairmen for the Commission A which, as you know, will meet next Tuesday. As Chairman, it is my privilege to nominate one of the Vice-Chairmen; I have therefore, after having consulted him, appointed to the post of Vice-Chairman Mr. Colban, who is one of the Vice-Chairmen of this Commission. However, I feel that the pressure of work might call for two Chairmen. As for the nomination of the second one, I would gladly yield to the opinion of this Commission. I ask, therefore, for the nomination of the second Vice-Chairman.

Mr. CLAIR WILCOX (United States): It gives me great pleasure, on behalf of the delegation of the United States, to nominate the distinguished delegate for Brazil, whose personal qualifications and long career of achievement in the economic relations of this country, amply fit him for this post.

CHAIRMAN (Interpretation): Is everybody agreed on this nomination?

I therefore declare that Mr. Bruga is nominated as second Vice-Chairman of the Commission.

CHAIRMAN (Interpretation): Gentlemen, I still want to settle one other point with you. I refer to Document T/Del/35, which was distributed by the Secretariat a week ago. It is a Note by the Chairman concerning a message received from the Economic and Employment Commission requesting the views of the Preparatory Committee on the most appropriate form of international action to maintain world full employment and economic stability. Next to this Document is a draft letter. You have all read this Document, I suppose, and no remarks have been sent to the Secretariat on the text itself. I therefore believe that everybody is agreed on the draft of this letter. I would like to know your views.

Is everybody agreed on the draft?

Mr. J. R. C. HELMORE (United Kingdom): Mr. Chairman, I do not propose to say anything about the draft, though there is possibly one amendment of detail which I might submit. It is on the third page of the English text, about two-thirds of the way down, the first quoted paragraph. There is a phrase which reads: "with special reference to Sections G, H and I of Chapter I. . .". I am not sure that if one spent a lot of time considering this, one could not equally well say some other sections should have special reference made to them. It is only a minor point and I do not want to cause any delay. If you wish to get the letter off without further comments, I would not say more about it. I would however, very respectfully suggest that you should ask the Secretariat, when sending out these papers, to put on a time limit during which observations should be received; or, if you are going to mention them in the Executive Committee, you should in some way bring it to Members' notice that they are going to be mentioned.

CHAIRMAN (Interpretation): As far as the suggestion for an amendment goes, this will be very easily carried out.

As far as the second part is concerned, may I just remark that there is a time-limit set in the document itself. This letter should be addressed to the Economic and Employment Commission which is to meet on the 2 nd June and therefore it is high time that this letter should be sent off.

As to the second part of your second point, I will try to keep it in mind.

Mr. HELMORE (United Kingdom): Mr. Chairman, if I might be allowed one thrust back at you - it was high time yesterday, and it will be higher time tomorrow, but there is nothing in that document which tells you what is the high time at which this letter is due.

CHAIRMAN (Interpretation): In so far as it will be a question of problems of that nature, we will mention them in the agenda

Mr. HELMORE (United Kingdom): Thank you very much

M. F.GARCIA OLDINI (Chile) (Interpretation): Mr. Chairman, I would also insist that the Agenda indicate each day which are the questions to be dealt with during the meeting. For small delegations it is often difficult to discuss these questions if they have not been informed, and have had no time to prepare documents. I understand that such a suggestion had already been made at the beginning of our meetings, and I should be grateful, Mr. Chairman, if it could be followed in future.

CHAIRMAN (Interpretation): I will give the same answer as I gave to Mr. Helmore: that your remark is quite justified and will be taken into account.

H.E. A.de V.F. BRAGA (Brazil) (Interpretation): Mr. Chairman, allow me to say a few words of thanks especially to the delegation of the United States and to the other delegations for having nominated me Vice-Chairman of Commission A. I gladly accept this task and I will do my best to further the work of this Group.

CHAIRMAN (Interpretation): We now come to Article 6. - The Removal of Male Adjustments in the Balance of Payments.

Two amendments have been submitted, the first one by the Delegation of Australia, the second one by the delegation of the United States of America.

The Australian Delegation proposes quite a new draft of this Article. On the document T.W.93, the Australian Delegation has given not only the text of the draft of the new Article which it proposes to the Commission, but also quite a number of comments. If, however, the Australian Delegation feels that something should be added to this document I will give the floor to the Australian delegate immediately.

Mr. PHILLIPS (Australia): There are a few points I should like to make in addition to the comments set out in document T.W. 93.

Firstly, the purpose of our amendment is to clarify and express more clearly, more precisely, what we believe were the intentions of the Preparatory Committee at its First session in London. If I may refer to the Report of the First Session I think I can make my point clear.

On page 5 of the English text of the London report, the Preparatory Committee points out that:-

"...a country, even though it is maintaining full employment at home, developing its economic resources and raising its standard of productivity and maintaining fair labour standards, may, nevertheless, exercise a deflationary pressure upon other countries. This will be so if it is persistently buying from abroad and investing abroad too little in relation to its exports."

It goes on to say

"It was not suggested that countries, which are experiencing difficulties through unfavourable balances of payments may not themselves be partly responsible for the maladjustments. For example, countries with adverse balances of payments, whose difficulties are being intensified by flight of capital from their currencies, might properly be called upon to put a stop to such capital export. But insofar as the pressure on their balances of payments is due to the failure of countries with excessively favourable balances of payments to spend their external purchasing power on imports or to utilise it for productive investment abroad, the main responsibility for the necessary re-adjustment should not fall on the countries which are under pressure."

I think that expresses clearly the view which the Preparatory Committee had in mind of the purpose which this Article was intended to serve, but I think it has also been clear that the wording of the Article adopted in London is not as clear as it might be.

In our view, this Article is mainly relevant to a particular type of situation, and we do not think there is any implication that this is always the type of balance of payments difficulties. Clearly such an implication would be quite incorrect. Australia, for example, could be in balance of payments difficulties for quite a number of reasons. If we had a prolonged drought, that would certainly put us in balance of payments difficulties without there being any suggestion that these difficulties were due in any way to the action of another country, but in such cases this Article, we suggest, would not be relevant.

The main purpose of the Article as we see it, is to express the responsibility which falls upon a country with a large and persistent favourable balance of payments which is exerting a deflationary

pressure on other countries to take some action to overcome that position. In one sense this Article might be regarded as a counterpart of Article 26 which deals with the circumstances in which, and the means by which, a debtor country can seek to overcome its difficulties. That Article 26 also expresses in three or four places the obligation of the debtor country not only to take the immediate action which is necessary, but also to try to get out of its difficulty. In paragraph 1 of Article 26, for example, it starts off:

"The Members may need to use import restrictions as a means of safeguarding their external financial position and as a step toward the restoration of equilibrium in their balance of payments on a sound and lasting basis..."

There are several other places - paragraphs 3 (a), 3 (b), and 3 (e), where that same point is made, I think.

MR. J.G. PHILLIPS (Australia) (Contd): This article, Article 6, stresses the corresponding obligation on creditor countries in those cases where their favourable balance is causing difficulties to others. We recognise, of course, and the draft recognises, that the debtor countries must also do what they can to get out of the difficulties.

There are just a few particular points in our amendment which I should like to draw attention to. The first is that we have tried to avoid the use of the phrase "fundamental disequilibrium" which is contained in the present draft of Article 6. This phrase has almost a technical meaning now, because of its use in <sup>the</sup> Articles of Agreement of the Monetary Fund, and we think there it suggests a very extreme position of disequilibrium, one in which the particular action taken by the country concerned is probably an alteration of the par value of its currency. We think it would be quite wrong to suggest that in Article 6, that is the appropriate action which the country having a favourable balance should take. It might be quite inappropriate.

The second point is that we have suggested adding reference to avoiding trade restrictions, which just shows more clearly, I think, the link between this Article and the other provisions of the Charter.

The final point I would like to mention is in the second new paragraph which we suggest adding to Article 6. It is designed to stress that the choice of the most appropriate action is left to the countries concerned, but with a reminder that where a practicable choice exists, the country should prefer measures which do not have the effect of reducing world trade.

CHAIRMAN (Interpretation): The discussion on the Australian amendment is open Gentlemen. Does anybody want to speak on the point.

Mr. NATHAN (France) (Interpretation): Our Delegation, Mr. Chairman, is of the opinion that the Australian Amendment corresponds to a real necessity. If maladjustments and disequilibrium in the balance of payments persist in a permanent manner, this is often due to maladjustments of bilateral exchanges in the framework of the world trade; but such disequilibrium is often not only due to surplus payments accumulated in a permanent manner in certain countries, but also can sometimes be covered by an apparent equilibrium which is really due to artificial restrictions of the standard of living of given countries which correspond to a determined expansionist economic policy.

If we take all these considerations into account we come to the conclusion that the Australian Amendment, subject perhaps to some modifications, answers the real necessity.

Mr. NATHAN (France) (Interpretation): There is a correction to the English translation. In the last part of the statement of the French Delegate, it was said that disequilibrium may also be due to restrictions on standard of living, and also to restrictions of economic expansion.

CHAIRMAN (Interpretation): Does anybody want to speak?

Mr. MELANDER (Norway): Mr. Chairman, the Norwegian Delegation are of opinion that the proposal made by the Australian Delegation is a sound one and we support it in principle. There may be certain alterations to the text itself, but the underlying idea we fully support.

CHAIRMAN (Interpretation): The Delegate of Belgium.

Mr. JUSSIANT (Interpretation): I want to associate myself

with the words just spoken by Mr. Nathan. We also accept in principle the amendment submitted by Australia which is also in the sense of what had been accepted in London; but we believe that the text should be somewhat modified. We want to stress much more the fact that the tendency to lack of balance of payments must be treated by multilateral arrangement. The text we have here seems to stress too much bilateral lack of balance of payments.

We are in sympathy with this text, as well as all the texts that tend to this aim, but we believe that we must include somehow in our text the responsibility of all countries in this lack of balance of payments. This is a question which has to be examined multilaterally and we would like a text that stresses this multilateral aspect more than the present text does.

Mr. NOLANATHAN (India): We of the Indian Delegation would like to support the substance of the Australian Delegation's Amendment. At the same time we feel that as it stands we cannot endorse the Amendment. I think we should say this clearly, that in the international text it is desirable to avoid an indication and an implication. I do not think it is right for us to indicate too definitely and pointedly which country is meant. It is doing a thing which causes disturbance to other countries; and secondly, it is also undesirable to imply that a particular country which finds itself with a surplus is necessarily in the wrong, and if I may say so, with all diffidence, if there is one thing of which I am sure as the result of years of study on this subject, I think we can say that in economics you cannot be sure of anything. Therefore to say that because a country is in surplus therefore it is doing something definitely wrong, is an implication that is unwarranted; and therefore, textually, I should like to remove that impression; from that point of view I have greater sympathy with

the United States' Amendment.

Another point is that a country may not be able to avoid a surplus. It is easy for us to say that a country should lend abroad; but after all, lending is not a single way traffic - it must carry a return ticket - and unless you are sure that the lending country is able to get back its capital it is impossible for that country to lend; and again, when the country has absolutely no control over the economic and social policies of other borrowing countries, it is rather hard for us to say that a country must always lend because it finds itself in surplus.

That does not mean that that country has no responsibility. I am not saying for a moment that a country which finds itself in fall balance of trade has no responsibility; but it is not a simple proposition like this, that because a country has a surplus therefore it should necessarily lend. It is a proposition I cannot support, and the time has not come when on an international level we can ask countries to play Santa Claus. It may have to come, I think probably sooner than later, that we may have to play international Santa Claus; but there are situations as at the present moment when no reduction in tariffs would at all bring about a reduction in the balance of that particular country.

Now take America to-day. Supposing all trade barriers are removed, even then I doubt very much whether America can escape a surplus, because the situation in other countries is such that they have no goods to sell America in profitable ways; and therefore for these reasons it seems to me it is unnecessary that we should not imply too much blame upon any country but have to take all factors into account and try to deal with it in the best way possible.

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Again, there is another point in the Australian text, and that is, where disequilibrium is presented. Disequilibrium cannot be said to be presented if it lasts only a year. It must be in favourable surplus for two years, let us say. During that two years the whole world is not sitting quiet before the ITO begins its operations.

There is the International Monetary Fund. If there is no International Monetary Fund I could certainly find much greater support for this amendment than now. Actually, if the International Monetary Fund is to discharge its functions properly, it would see to it that, before a disequilibrium of a kind foreseen in this Article, is evident, the International Monetary Fund must have got together all the countries concerned, and they are certainly doing it. For all these reasons I think the text of the Australian amendment must be subjected to a careful scrutiny.

I must also point out that the reconciliation of a national economic policy is one in which we do not want other countries to interfere. The international obligation is going to be a very delicate task, and therefore, we thought that, for all these reasons, the original text of Article 6 was a fairly reasonable one. It put the obligations squarely upon countries which had a favourable balance of payments, and it did not ask other countries to contribute very much, excepting certain obligations which have already been found in various other organizations, and therefore I thought that was a good enough text, but if some improvement is to be made I think that the improvement should be partly on the lines of the United States amendment and partly on the lines of the Australian amendment. In any case, I do not think that, merely because we all happen to be debtors, we should put all the blame upon the creditors. I can say that with greater confidence because we do not know exactly where we stand - whether we are creditors or debtors.

CHAIRMAN: Mr. Wilcox.

Mr. CLAIR WILCOX (United States): Mr. Chairman, the amendment proposed by the Australian Delegation gives me two difficulties: one already exists in the present text and raises the sort of problem that I referred to the other day, that is, the implication that the balance-of-payments difficulty of one country is something that another country does to it. I should prefer to avoid that implication, to avoid pointing a finger - I was taught by my mother when I was very young that it was impolite to point - and the purpose of the first part of the amendment which our Delegation has presented is to avoid that implication; that is, we suggest that when you have a persistence of the situation in which one country experiences a favourable balance of trade and other countries have balance-of-payments difficulties, then the commitments that follow come into effect and that retains the character of the document completely but it does not write into the Document a statement that somebody is to blame.

As a matter of fact, I think it is questionable whether the existence of an export excess by one country is necessarily the sole and sufficient cause of balance-of-payments difficulties of other countries.

The second point that gives me difficulty is the character of the commitments involved for the two countries in the different circumstances. The present draft has the difficulty of directing itself almost exclusively to the country with the export excess. The Australian amendment recognises, I take it, that that is not tenable and that countries with balance-of-payments difficulties perhaps might make some contribution to correct the situation,

but an examination of the commitments that are suggested in (a) and (b) of Paragraph 1 reveals a very marked emphasis; that is, if you look at (b) it says that Members with balance-of-payments difficulties "shall take action" but that is very heavily qualified - "action appropriate in the circumstances", action "in the light of their respective capacities and responsibilities". On the other hand, Members with favourable balances "shall take action.", without any qualification whatsoever, presumably action that is not appropriate in the circumstances, or, whether it is appropriate or not, action that may or may not be related to its capacities or responsibilities. It seems to me that that inequality of statement is ---- Well, in the document it would, to say the least, be conspicuous. I think it is unnecessary and I think the effect can be achieved with softer words. The words we have suggested are that "each of the Members concerned will make its appropriate contribution". The word "appropriate" is intended to suggest that some countries may have to make heavier contributions than others. I am not insisting on our particular wording. What I should like to emphasise are these two points: 1. that our wording be neutral as to imputation of blame, and 2. that our statement as to the commitment of any Member indicates that each Member will make the appropriate contribution for it to make, however it may be worded.

CHAIRMAN: The Delegate of Canada.

Mr. J. J. DEUTSCH (Canada): Mr. Chairman, we are in agreement with the general substance of the Australian amendment but we are not happy about the textual expression of it.

A number of suggestions have already been made as to how the text could be improved and I do not wish to repeat those suggestions. There is only one additional factor I think we should recognise. The Australian text carries a direct implication that the mere existence of a persistently favourable balance is a harmful thing; that is, the first sentence says "1. If the balance-of-payments of a Member is persistently favourable, to such a degree . . .". Now <sup>if/</sup>this is the only qualification, "to such a degree that the disequilibrium involves other Members in balance-of-payments difficulties," then it is a harmful thing.

I suggest, Mr. Chairman, it all depends on how that favourable balance is maintained. If it is accompanied by an adequate and sound programme of international investment, that favourable balance may indeed be internationally resolved.

That situation is not recognised in the Australian text and I think in any textual revision it should be clearly brought out that it is not simply the fact of a favourable balance-of-payments that is the trouble, but how that favourable balance is maintained, and provision should be made and should be recognised that a favourable balance, accompanied by suitable international investment, is or may be a desirable thing from an international standpoint.

Mr. J.J.  
Mr. HELMORE (United Kingdom): Mr. Chairman, I think the United Kingdom delegation finds itself in sympathy with the general view that has been expressed round the table, especially by the delegate for India and the delegate for Canada. We see a good deal of virtue in the Australian amendment, or perhaps I should say in the idea behind the Australian amendment, though we do not altogether agree with the precise words in which it has been expressed. We also find ourselves in agreement - perhaps I should say unable to disagree - with the delegate of the United States who objects to finger-pointing, and before this came up we had been engaged in seeing whether we could produce another form of words, which I would like to read to the Committee, though I do not expect them to consider them seriously at this precise point of time. But if you are going - as I imagine you are - to refer this to a Sub-committee, perhaps it might help if the sub-committee have these words in front of them. The words are:-

Any Member whose balance of payments 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 shall make its full contribution to an action designed to correct the disequilibrium. Other Members affected shall also take action appropriate to the circumstances designed to assist in correcting the disequilibrium. Action in accordance with this Article shall be taken with due regard to the desirability of avoiding any unnecessary contraction of foreign trade.

If I may explain the differences and similarities between that and the Australian text they are as follows:

First of all, we get rid of the words "fundamental disequilibrium", which we have always felt were bound to imply that the cure for the difficulty was something like the cure mentioned in the Articles of Agreement of the International Monetary Fund

where those words occur, and it might not at all follow that that was the right cure.

Secondly - and this is where I take up the point made by the United States, - we do avoid, I hope, pointing any fingers, but we do retain the point that there is a connection of cause and effect between the favourable balance of one country and the unfavourable balance of another or some other countries.

The third point is that the type of action to correct the difficulty must necessarily differ as between the country with the favourable balance and the country with the unfavourable balance. In the one, it may be increasing its imports; in the other increasing its exports; and the ways of doing those are quite different. So that it is rather difficult to put the whole thing into one sentence.

But we do avoid the point that (a) of the Australian amendment is unconditional, and, as Mr. Wilcox said, rather direct, and at the same time we put rather more firmly on the deficit countries the obligation to take some action, more firmly than in (b) of the Australian text; and we adopt from the Australian draft a point with which we were impressed - that was the necessity to avoid the imposition of further restrictions as far as possible.

We have not adopted the point about measures appropriate to respective political, economic and social institutions. We thought that was self-evident and therefore seemed unnecessary of mention in the text.

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

MR. J.T. CHWANG (China): The Chinese delegation supports the amendment brought forward by Mr. Helmore of the United Kingdom. Of course, we agree in principle with the Australian amendment, yet we are not quite in agreement with the wording, so the amendment brought forward by Mr. Helmore is quite agreeable to our idea.

CHAIRMAN: Monsieur Nathan.

M. R. NATHAN (France) (Interpretation): It seems to me that the text now proposed by my eminent friend, the representative of the United Kingdom, makes notable progress as compared with the amendment presented by the Australian delegation. I think, together with my eminent friend, the representative of the United Kingdom, that it is important to exclude from the text which we might adopt ultimately any idea that wealth is bad and that rich men are bad people.

We must also be careful to exclude any idea that there have been resentful poor people, or that such people are supposed to exist.

We must clearly express in our text that any permanent surplus in the balance-of-payments is not necessarily the cause, but the apparent sign, of an existing disequilibrium. I think we must emphasise in the final text the role of that permanent surplus as a sign of persistent disequilibrium, and also the necessary links between surplus in the balance-of-payments of certain countries with deficit in the balance-of-payment of other countries.

I also think that the text which will be adopted should provide for the co-operation not only of the countries directly

interested insofar as they may have a clear maladjustment in their balance-of-payments, but also the co-operation of all member countries in seeking that disequilibrium, which must not be considered as a static disequilibrium, but which could be compared to the equilibrium of an aeroplane which is constantly moving towards an equilibrium which may never be entirely reached.

CHAIRMAN: (Interpretation): Does anybody else want to speak on that point?

Mr. LUXFORD (International Bank): Mr. Chairman, I would just like to state that we in the Banking Fund are fully in sympathy with the objectives of the Australian proposal.

We think they are entirely sound; namely, the establishment of an equilibrium for balance of payments, having high and expanding level, rather than resorting to deflationary methods. The Fund is predicated on this particular principle. The difficulty in the Australian proposal is that it is imprecise. I may say that at Bretton Woods there was an argument that was frequently advanced that the Australian proposal seems to reflect at least to some extent. If a country in balance of payments could only export fish oil or aspirin, it was the argument that there was an obligation on other countries to buy such fish oil or aspirin, whether or not it was needed. I am sure that is not what the Australian proposal had in mind. Nevertheless there is a distinct trace of that proposition inherent in the language as it presently stands.

I would hope it would be possible to give a little more emphasis to illustrate again that it is impossible to say that in all cases the primary responsibility must rest with a country with favourable balance of payments. For instance, it may be nothing more than inflationary policies on the part of an importing country which has raised the cost of its production to the point that it is impossible for it to export competitively in the world market.

That is only one illustration of the possibility that in all cases, or at least in some cases, you must look for your difficulty in both the importing and the exporting country.

I would be very hopeful that Article 6 in the Charter might be revised more in accordance with some of the other discussions on other proposals that have been made here. Thank you.

Mr. WEBB (New Zealand): Mr. Chairman, the New Zealand Delegation would strongly support the Australian Amendment. We feel also that possibly the Delegate for the United Kingdom has suggested certain changes of wording which might be helpful; but we have not had a chance to study the wordings proposed by the United Kingdom Delegate.

We feel also that if the wording of the Australian Amendment is to be studied we would like to suggest that the word "persistent" in the first line might be eliminated in that it contributes nothing to the precision of meaning and possibly introduces a source of uncertainty.

CHAIRMAN: (Interpretation): The Delegate of Australia.

Mr. PHILLIPS (Australia): Mr. Chairman, I think the discussion has been very useful, and it seems to me there is every prospect of a satisfactory compromise solution being reached. There seems to be general agreement that something on the lines we had in mind is desirable. There also seems to be fairly general agreement that our wording is a little direct. But on that point it does seem to me that one cannot altogether get rid of pointing fingers. I think the Charter is full of them.

All Members will recognise pointing fingers in a good many Articles, including Article 26. The purpose of the pointing finger may be merely to indicate the type of situation about which one is thinking. It may not necessarily indicate blame, but if you make the Article completely general, then you may miss all the points of its purpose. On the question of the words involving other

countries in persistent balance of payments difficulties, I think that point is relevant.

If I remember rightly, those words were specifically inserted in London to make it clear that it was not a situation of favourable balance of payments that you were talking about. That is relevant to the point made by the Delegate of Canada. It is only those situations of favourable balances which do involve other countries in difficulties which are relevant to this Article. As I see the purpose of putting the words, it was to suggest there are other situations which are not relevant to this Article.

Therefore it does seem to me that you cannot altogether get rid of the causal relationship between the favourable balance and the unfavourable balance. I think, therefore, the United Kingdom suggestion does apply, because it does preserve that connection.

There was a point made by the Delegate of France, also, that this Article concentrated rather too much on that aspect, and should deal with the multilateral aspects of general difficulties. I should like to point out that that is dealt with, I think, in Article 26, Section V. It there deals with the situation where there is presented a widespread application of import restrictions, indicating the existence of a general disequilibrium, and therefore I think the responsibility does fall on "those Members whose balances of payments are under pressure or (by) those Members whose balances of payments are tending to be exceptionally favourable".

The reason for putting 26 in Chapter III was surely to deal with the case where a country was observing deflationary pressure. Therefore, as I said earlier, it seems to me that we cannot altogether get rid of pointing fingers, although I quite agree we should avoid imputing blame if we can.

M. J. JUSSIANT (Belgium) (Interpretation): Mr. Chairman, I was very much interested by what has just been said by Mr. Nathan, the representative of France, when he stressed the fact that all countries can be hit by such a situation, not only the one country that is more directly affected, but all the others, and therefore we must look for a solution which will develop the exchange of goods and the trade among all countries and not look for a restrictive solution. I want also to associate myself with what has been said by the representative of Canada. I, as he, believe that an excess of exports is not necessarily an evil. It can be a good thing if it is compensated by other things, and therefore, once more, it is necessary to find a solution which implies co-operation of all countries if you want to come to a good result. The solution can be found and I would indicate<sup>a</sup> practical example which would show what I really mean. Suppose that one country has difficulties in exporting products. It might try to balance its situation by diminishing its own consumption and, for instance, in taxing all luxury goods. Suppose this country is Belgium. If it imports its luxury goods from France, then France will be affected by the difficulty or impossibility to send its luxury goods to Belgium. But nothing can be done according to the present text against Belgium if the Belgium balance is in equilibrium. It is therefore more than just a question of two countries. It has to be solved by international action. I would suggest, as a practical means, if the French delegate would be kind enough to submit a text of an amendment which could be then given to the Sub-Committee on the same plane as the United Kingdom amendment. With this text, and with the excellent idea contained in the French suggestion, I think we could yet come to a text which would satisfy us all.

CHAIRMAN: M. Nathan

M. ROGER NATHAN (France) (Interpretation): I recognise, Mr. Chairman, that the text proposed by the most honourable representative of the United Kingdom to some extent called for the remarks just made by the representative of Belgium. We have also prepared a text. This text, of course, may be subjected to all sorts of criticism but I think it takes care of the criticism expressed by the Delegate of Australia, who found the proposal previously made too weak. I think that if our text is studied with care and read in conjunction with amendments previously presented, and in the light of the discussion in which we have assisted, it will be found that our proposal is quite clear.

Here is the text which we propose: 1. "If a prolonged tension in the world system of multilateral exchanges brings about for certain countries a lasting surplus and for others a persistent deficit of their balance-of-payments, which endangers the implementation of their internal programmes, carried out in accordance with the Provisions of Article 4, all the Member States recognise, whatever may be their particular balances-of-payments at a given moment, that they will co-operate to the largest possible extent in any action undertaken with a view to remedying that situation; and

2. this remedial action will be undertaken, in the sense of the expansion of world economic activity, in the nature of the participation of each Member country in any action of that kind, which will differ in each case; that is to say, whether the balance is favourable, unfavourable or in equilibrium will be in accordance with the political, economic and social institution of the country concerned."

I think that if the text is transmitted to a sub-committee with a well-chosen membership - and we have good reason to hope that this will be so, just as in all the sub-committees - I think that such a sub-committee will be able, taking into account our text and other proposals - in particular, the proposal of the United Kingdom Delegate - to produce a quite satisfactory cocktail.

CHAIRMAN: Mr. Fresquet.

Mr. R. L. FRESQUET (Cuba): Mr. Chairman, when we approved Article 6 at the previous meeting, we thought that this Article was linked with Paragraph 2 of Article 4; that is, that a Member, in trying to sustain employment and demand, should seek to avoid creating balance-of-payments difficulties for other Members and should undertake an obligation to co-operate and to make its full contribution to remedy that situation. We did not think at the time that the question of lending was involved in this Article. We thought that balance-of-payments difficulties, in the short run, should be remedied by the International Monetary Fund and in the long run by the International Bank. We would rather have international lending carried out by an international organisation. At this time the new proposal of the United States Delegation made more definite the link between Article 6 and Article 4, so we favour the new amendment presented by the United States Delegation.

CHAIRMAN (Interpretation): Gentlemen, I think we can close this general discussion here. It has been very instructive, very interesting and very heartening. In fact, we have, among other things, not only discussed the Australian amendment but also the United States amendment and an amendment proposed by

the very highly respectable representative of the United Kingdom, and another final amendment by the not less highly respectable Delegate for France, and for my part I am quite sure that a committee which is presided over by M. Nathan will have to study and resolve a very interesting problem indeed.

I hardly need to add that I rely on this Committee to get into touch with Members who are not Members of this Sub-Committee and to take into account whatever suggestions or amendments they may have to propose to the text.

CHAIRMAN: (Interpretation): Gentlemen, before adjourning I would like to warn you that, before we take up again at this afternoon's meeting the discussion of Chapter III, I would like to bring up three points upon which Mr. Lacarte will now kindly comment.

Mr. LACARTE (Deputy Executive Secretary, United Nations Conference on Trade and Employment): The Chairman, at the end of the previous meeting, announced that the three items which are now referred to would be dealt with at the next Executive Session. They are all small points. Number one is Consultation with non- Governmental Organizations in Category A, that is document T.45 revision 1. The second point is Report upon Credentials, that is document T.60. The third is Amendment to Rules of Procedure, document T.49. These would be taken, as the Chairman has stated, at the Session this afternoon.

CHAIRMAN (Interpretation): The meeting stands adjourned.

The meeting rose at 12.35 p.m.

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