

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

Summary Record of the Meeting of the Consultative Committee with the Representative of the World Federation of Trade Unions held at 4.30 p.m., Thursday, June 26 1947, in the Palais des Nations, Geneva.

Chairman: Dr. Coombs  
(H.E. Erik Colban acted as Chairman during the first part of the meeting in the absence of Dr. Coombs)

Present: Mr. P. Arnow  
H.E. Erik Colban  
M. Baraduc  
Mr. J. Meade  
Mr. M.P. Pai  
Mr. L.P. Chao  
Mr. S.M. Kao  
H.E. Stanislav Minovsky  
Dr. Lucien Benda  
Ing. Jaroslav Halbhuber

Representative of the World Federation of  
Trade Unions:

M. Jean Duret

The CHAIRMAN proposed that the discussion should continue on the basis of the remaining items in the list of points which had comprised the agenda for the previous meeting (See E/PC/T/108). He observed that the Secretariat had provided certain notes concerning these points and suggested that the discussion might be confined to any aspects of the various questions which might not have been covered in those notes or might not have been dealt with to the satisfaction of all members of the Committee. (The Secretariat notes on the various points are appended to this summary record).

Several members of the Committee indicated that they would be agreeable to this procedure on the condition that the use of the Secretariat notes would not necessarily imply any commitment on the part of individual members of the Committee to the interpretations or views presented therein. It was agreed that such a condition would be attached to the use of the Secretariat notes.

A member of the Committee expressed his regret that it had not been possible for the Consultative Committee to complete its discussions with the Representative of the WFTU before action by the Preparatory Committee on Chapter III had

reached such an advanced stage. He thought that, despite the fact that Commission A had approved a text for Chapter III the Consultative Committee should not refrain from requesting a reopening of the discussion of that chapter in the Preparatory Committee if it were found that any of the remaining points raised by M. Duret warranted further discussion of any sections of the Charter.

The CHAIRMAN suggested that the Committee should complete its discussion with M. Duret and could decide then whether any of the matters brought out in the discussion required further consideration by the Preparatory Committee.

The Consultative Committee then proceeded to a discussion of the 6th point on the Secretariat's list of matters contained in the memorandum by the Representative of the WFTU (E/PC/T/89).

6. Proposed Amendment in Article 5 Concerning the Wage Share of the National Income.

M. Duret explained that the purposes of the proposed revision in Article 5 were: (a) to remove what the WFTU regarded as an artificial distinction between "export industries" and industries generally; and (b) to incorporate a recognition of the fact that increases in national income should in no case be accompanied by a decline in the wage earners' share. In elaborating on these points M. Duret declared that it was impossible to isolate certain industries as "export industries" since in fact the output of any industry might be directed partly or wholly into export channels. Part of an industry's production normally would be exported and part would be consumed domestically. The extent to which the output of an industry would be exported could be expected to vary from time to time and from one situation to another. M. Duret insisted that any distinction between the conditions of labor in the "export industries" and those in other industries would be unreal. Moreover, such an artificial distinction would make it possible for wage rates to remain low in almost any industry since it could be maintained that the industry was not primarily or solely an "export industry". Even in those rare cases in which an industry could be classified as an "export industry" it seemed to the WFTU that, because of the interdependence of industries within any national economy, the toleration of low wages in other industries would result indirectly in "social dumping" even though wages in the particular "export industry" were relatively high. In any event it seemed socially undesirable and inequitable to give any encouragement to the maintenance of low wages in industries producing for domestic consumption. M. Duret was of the opinion that satisfactory wage and labor conditions could be assured only if members were to recognize the necessity of maintaining aggregate wages in a reasonably fixed relation to aggregate national income. Accordingly, M. Duret suggested the deletion of the words "production for export" in the present draft text of Article 5 and the addition to that text of a statement recognizing that the wage share of the national income should not be allowed to decline.

Several members of the Committee expressed the view that the present text of Article 5 was not inconsistent with the position stated by M. Duret. In the first place it was pointed out that the words "production for export" were accompanied in the present text by the words "and generally throughout its jurisdiction". One member of the Committee observed that the interest of the ITO in labor conditions arises primarily from the effect of such conditions on international trade. As pointed out in the Report of the Sub-Committee (E/PC/T/95) the references to "fair labor standards" and "sub-standard conditions of labor" were retained because "they explicitly recognized the existence of a relationship between unfair competition in international trade and conditions of labor, particularly in the export industries, when such conditions can be shown to be below accepted minimum standards". If the reference to "export industries" were to be deleted the justification for including a reference to conditions of labor in an international trade charter would be less apparent. Another Member agreed with this explanation of the reason for including the reference to "export industries" and added that such a reference could not be interpreted as implying an undue or unreal emphasis on conditions in the export industries if one took account of the broader activities of member governments with reference to labor conditions, as expressed through their domestic legislation and, in many cases, through their participation in the International Labour Organization. He felt that the Charter of the ITO must necessarily concentrate primarily on that aspect of labor conditions which comes within its particular competence. It was observed that while the Charter took account principally of the conditions of labor directly affecting international trade (i.e. the conditions in export industries) it was to be hoped that the expansion of international trade which would follow on the application of the principles in the Charter would contribute to an improvement in conditions of labor and living standards generally in all parts of each national economy. The desirability of securing satisfactory labor conditions throughout each economy is recognized both in Article 5 and in Article 1. One member of the Committee felt, however, that the words "export industries" could be deleted from Article 5 on the grounds that they were redundant and already comprised in the words "generally throughout its jurisdiction".

Concerning M. Duret's second point (i.e. the reference to the proportion of wages to the national income) several members of the Committee expressed the view that the reference in the present text to "fair labor standards related to productivity" took appropriate account of this point. One member observed that experience in his country had demonstrated the difficulties in establishing any fixed relation of this sort and he felt that the general objective stated in the present text of the article went about as far as one could go realistically.

M. Duret indicated that the arguments which had been presented had not satisfied him that the amendments which he had proposed were no longer necessary. He remarked further that he regarded some such amendments as he had suggested essential if the discussion on Article 26 were not to be unduly complicated. He thought that unless some such changes were to be made in Article 5 it might appear from Article 26 that the desired equilibrium in the balance of payments could be secured by lowering wages.

The CHAIRMAN observed that the point had now been discussed at some length and that members of the Committee were now fully aware of the arguments for and against the proposal which the representative of the WFTU had made.

7. Suggested Amendment of Article 6 Concerning Division of Responsibility for Adjusting Balance of Payments Difficulties.

M. Duret remarked that although his original proposal had been based on the earlier text of Article 6 he considered that even the revised text could not be regarded as satisfactory from the point of view of the criticisms which he had made of the earlier text. He felt that the present text, by its insistence on the expansion rather than contraction of international trade, might seem to require that countries with deficits in their balances of payments could seek a remedy for such a condition only by securing loans from countries with surpluses in their balances of payments. Whereas the Report of the First Session had recognized that a country in such difficulties might decrease its imports, as well as increase its exports, in order to bring about the desired balance, the present text would not appear to allow a decrease in imports to the same degree.

M. Duret referred to paragraph 25 in the report of the Subcommittee on Chapter III (E/PC/T/93) which appeared to him to mean that some of the methods mentioned in Section E of the Report of the First Session (E/PC/T/33) were to be regarded as no longer permissible if they involved a contraction rather than an expansion of international trade.

One member of the Committee pointed out that the word "necessité" in the French text of Article 6 to which M. Duret was referring had since been replaced by a closer French equivalent of the word "desirability" which appeared in the corresponding English text. Accordingly, it was now clear from both the French and English texts that in remedying unsatisfactory balance of payments situations the action to be taken by members shall be taken with due regard to the desirability of employing methods which expand rather than contract international trade.

Another member of the Committee expressed the view that in other respects also the present text appeared to meet many of the points raised by M. Duret, particularly if read in conjunction with Article 26. He doubted that either of these articles could be interpreted as meaning that countries should necessarily accept loans before restricting imports. Concerning M. Duret's reference to Section E of the Report of the First Session, this member of the Committee expressed the view that the illustrations of possible methods given in that section remained as valid now as they were originally. He observed that as a general principle the commentary in the Report of the First Session was not to be regarded as superseded by subsequent reports except insofar as the observations made in the First Report may have been explicitly discarded, or may have been rendered irrelevant or inaccurate as a result of changes subsequently proposed in the text of the Charter. He did not think that the changes - which he regarded as improvements - in the text of Article 6 required that Section E of the Report of the First Session be discarded.

Conclusion

The meeting rose at 6.45 p.m. to reconvene at 4.30 Wednesday, July 2. It was indicated that the meetings of the Consultative Committee would continue on Thursday and Friday, if necessary.

ANNEXURE

Notes by the Secretariat Concerning Points Raised  
by the Representative of the World Federation of  
Trade Unions in Document E/PC/T/89

6. Proposed Amendment in Article 5 Concerning the Wage Share  
of the National Income.

The interest and authority proposed for ITO in this connection are limited by the fact that many aspects of the distribution of national income are necessarily principally matters falling within the domestic jurisdiction of each country and of the further fact that only some of the international aspects of this question can be regarded as the concern of the ITO exclusively or principally.

Article 5, as now drafted, asserts an interest in the elimination of substandard conditions of labor not only "in production for export" but also "generally throughout (each member's) jurisdiction" and in the "achievement and maintenance of fair labor standards, related to productivity". In addition to this direct interest in labor standards, the Charter may also be regarded as interested in the international effects of the internal distribution of income in certain circumstances as evidenced by Articles 6, 7, 8, 26, etc.

7. Suggested Amendment of Article 6 Concerning Division of  
Responsibility for Adjusting Balance of Payments Difficulties.

It would appear that the revised version proposed by the Sub-Committee may satisfactorily meet the points raised by M. Duret, by stating more clearly the responsibility of all parties concerned to assist in remedying balance of payments difficulties without curtailing employment and without restricting trade. It might be mentioned that the use of such words as "adverse" and "favorable" with reference to the balance of payments was considered by the Sub-Committee but was not accepted for the purely technical reason that it is difficult to refer to the balance of payments as being adverse or favorable. The Sub-Committee preferred the term maladjustment for the reasons indicated in its report. M. Duret will have noticed that the Sub-Committee also discarded the expression "fundamental disequilibrium" which he regarded as an unsatisfactory term.

8. Proposed Article 6(a) Providing for the Establishment of  
Machinery to Forestall a Deflationary Crisis.

If M. Duret's suggestion relates to national or domestic arrangements it might be questioned (as suggested in another connection above) whether the Charter could appropriately indicate in what manner, or by what mechanism deflationary crisis should be prevented. If M. Duret's suggestion is intended to refer only to international machinery, it might be observed that, within the Charter, Article 7(2), as redrafted by the Sub-Committee, now provides for the Organization to initiate consultations among Members in emergencies "with a view to their taking appropriate measures against the international spread of a decline in employment, production or demand". Outside the Charter certain machinery already exists to facilitate international action against the spread of deflationary pressure; for example, the International Monetary Fund, the Economic and Employment Commission (and its sub-commission on Employment and Economic Stability). The Charter takes account of the existence and functions of such international machinery.

9. Proposal Amendment to what was formerly Article 7 Requiring the Organization to Proscribe Discriminatory Measures.

Although the Charter does not presume to indicate in what direction necessary protective measures shall be applied, the Sub-Committee on Chapter III expressed the view that in the event of the occurrence of a serious or abrupt decline in external demand (which might be regarded as comparable with the situation envisaged in the amendment proposed by M. Duret) Section 2 of Article 35 should be regarded as applicable and the Organization should accordingly be in a position to "authorize a Member or Members to suspend the application to any other Member or Members of such specified obligations or concessions... as may be appropriate in the circumstances". The question of the precise content of Article 35 and of its applicability to the conditions envisaged in the present versions of Article 8 is now under consideration in a Sub-Committee. The results of this consideration can not be forecast now, although it can be said that emphasis will be placed on remedial measures which expand rather than contract international trade.

10. Remarks Concerning the Dropping of Certain Proposals of the Preparatory Committee (page 6 of M. Duret's paper).

It might be observed that not the whole text of the Report of First Session should be regarded as having been superseded by Report of the Drafting Committee or by the present discussions here. In fact, the text of that report is generally regarded as still representing the views of the Preparatory Committee except insofar as it may have been expressly discarded or rendered irrelevant or inaccurate by changes proposed in the text of the Draft Charter. Accordingly, the quotation mentioned by M. Duret would seem to have as much validity now as it had previously.

11. The Suggestion that Anti-depression Plans should "Preferably be Financed under Guarantee from the Members of the Organization" (page 6 of M. Duret's paper).

It is not clear whether, in making this suggestion, M. Duret would wish that such financing be underwritten by the members acting in their individual capacities or acting through the Organization. If the former is meant, M. Duret is doubtless familiar with the plans and programs of the several countries. If the latter is meant it might be questioned whether the suggestion takes adequate account of the existence of the International Monetary Fund, the International Bank for Reconstruction and Development, the Regional Economic Commissions of the United Nations, etc.

12. Proposed Addition to Article 9 of the words "Provided it is Accompanied by a Clear-sighted and Rational Economic and Social Policy".

Discussion on the present text of this article and on related questions concerning policies affecting international investment are proceeding. In these discussions account is being taken of general views of the sort expressed in M. Duret's proposal.

13. Suggested Addition of the words "and employment" after "productivity" in Article 10.

It would appear that the present language "the productive use of the world's human ...resources" covers the point made by M. Duret to the extent that it is not already covered in Chapter III.

14. Proposal that the words "and the WFTU" be added after the words "inter-governmental organizations" in Article II.

The question of consultation with the non-governmental organizations, including the WFTU, would appear to be covered in paragraph 3 of Article 81. The precise arrangements remain to be worked out, but the desirability of making such arrangements is recognized.

15. Suggested Addition of the word "labor" after "managerial skill" in paragraph 1 of Article 12.

Since this paragraph is intended to refer to the means of economic development not available in the under-developed areas it might be questioned whether it is necessary to add the word "labor" if the intention is thereby to include unskilled labor which is normally not scarce in under-developed areas and presumably would not be imported. If the word "labor" is intended to refer to skilled labor it would appear to be covered already by the words "trained workers".

16. Requested Definition of the Term "Unreasonable Action" in paragraph 2 of Article 12.

It would seem impossible to provide a general definition and it would be impracticable to list actions which might in certain circumstances be regarded as unreasonable. It will presumably be necessary for this term to be defined in the light of the circumstances relating to a particular case. Clearly nationalization as such would not be regarded as an unreasonable action since the Charter explicitly recognizes nationalized enterprises in Articles 31, 32 and 33. Whether in a particular case "nationalization" might be regarded as an unreasonable action would seem to depend on the circumstances.

17. Requested Elucidation of the words "Brought from one country to another" in paragraph (c) of Article 61.

This article does not attempt to prejudge the types of recommendations which would be made. The presumption clearly is that such recommendations would be consistent with the purposes of the Charter.