

SECOND COMMITTEE: ECONOMIC DEVELOPMENT

SUMMARY RECORD OF THE EIGHTH MEETING

Held at the Capitol, Havana, Cuba on Tuesday, 16 December 1947 at 4.00 p.m.

Chairman: Mr. ABELLO (Philippines)

CONTINUATION OF CONSIDERATION OF AMENDMENTS TO CHAPTER III (E/CONF.2/C.2/9)  
Chilean Proposal for the addition of a paragraph to follow present  
paragraph 3 of Article 12 (E/CONF.2/C.2/9 bottom of page 20 and top of page 21)

The CHAIRMAN drew attention to the close relationship which existed between this amendment and paragraphs 1 (a) (vi) and 2 of the Colombian proposal for a new Article 12 A. The latter proposal had been referred to the Joint Sub-Committee, and if there were no objections, the Chilean amendment could be treated in a similar manner.

Mr. Garcia OLDINI (Chile) was unable to accept the procedure suggested by the Chairman. The Colombian amendment had a more limited objective than his own and it could be as easily asserted that it related to the Chilean proposal as vice-versa. His proposal should first be discussed in the full Committee, and then it could be seen to what extent the two proposals could be amalgamated.

After a short discussion, it was agreed that the Chilean amendment  
be referred to the Joint Sub-Committee of Committees II and VI.  
Costa Rican proposal for the addition of a Paragraph 4 to Article 12.

Mr. TINOCO (Costa Rica) said that undeniably disequilibrium existed with respect to the world's financial resources. No blame could be attached in that regard, and it was fortunate that the United States had accumulated the economic potential which permitted it to assist war devastated and underdeveloped countries. The concentration of financial resources, however, had an undesirable effect on markets and prices, and impeded the development of other countries.

The problem of re-investment had been solved by the United Kingdom in the last century and it now had to be faced by the United States. Foreign investment was being held up, principally because of the practice of double taxation which deprived enterprises of legitimate profits.

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To bring about a rise in the standard of living in Latin America, it was necessary that there should be an increase in the per capita national income, and to effect that, there had to be a current of foreign investment. The problems of investment and double taxation, thus, were intimately related and had been studied by the League of Nations. A League report of the end of 1943, had put forward the view that double taxation was the main obstacle to the foreign investment of capital.

It was essential that ITO should do more than study and make recommendations concerning this question; the adoption of the Costa Rican proposal would make for a definitive solution.

It was decided that the Joint Sub-Committee of Committees II and VI would consider the Costa Rican amendment in connection with the new Article 12 A proposed by Colombia.  
Italian, Chilean and Uruguayan Amendments to first sentence of paragraph 1 of Article 11.

The CHAIRMAN, in an effort to expedite the work of the Committee, suggested that these amendments might be referred to the Joint Sub-Committee without preliminary general discussion. In view of objections the suggestion was withdrawn.

Mr. FARINA (Uruguay) pointed out that his amendment would benefit countries with a surplus or with a scarcity of manpower. The omission of a reference to technology, which was included in paragraph 2, had been remedied. As no good would result from having access to markets unless there existed the necessary transport facilities, reference to such facilities had also been included.

Mr. D'ANNA (Italy) said that the manpower aspect of the question under discussion was of great importance to his country. If no care were taken to solve manpower problems, the task of ITO would never be fulfilled.

Mr. COOMBS (Australia) supported by Mr. RUBIN (United States of America) drew attention to the difference between the Italian and Uruguayan amendments and that put forward by the Chilean delegation. The former dealt with technical requirements which were necessary for the production and transportation of goods, while the latter introduced a type of requirements with which Article 11 was not concerned.

He accepted the reference to transport facilities and manpower and hoped that the Sub-Committee would distinguish between the Chilean and the other amendments.

Mr. Garcia OLDINI (Chile) expressed the view that it was difficult to separate facilities which would make for production, and facilities which would make that production of value in the effort

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to gain higher standards of living. Theoretically, it was easy to define what constituted technical means to production, but in practice, the two aspects formed a whole. He insisted on the substance of his amendment, though he did not feel strongly with respect to which Article of the Charter it would be attached.

The three amendments were referred to the Joint Sub-Committee. The Chairman drew the attention of the Joint Sub-Committee to the Australian and Chilean statements.

Article 11, paragraph 1, second sentence: amendment proposed by Mexico (page 6 of E/CONF.2/C.2/9).

Mr. NOVQA (Mexico) stated that the purpose of the Mexican amendment was to make the provisions of the paragraph positive instead of negative and more precise. The present paragraph implied that obstacles could be imposed if they seemed reasonable. The text could be worded differently provided it was affirmative.

Mr. TORRES (Brazil) supported the Mexican amendment and hoped that it could be re-drafted appropriately in sub-committee, keeping in mind the Agreement of Chapultepec, which provided for the same freedom of access to machinery and technical skills as to raw materials.

Mr. RUBIN (United States) said that although he heartily agreed with the Mexican amendment from the point of view of making more positive the obligations regarding economic development, he felt that the proposal would eliminate a certain balance which had been achieved in the previous text of Article 11, it introduced affirmative language in paragraph 1, but did not apply the same principles to paragraph 2.

The amendment was referred to the Joint Sub-Committee of Committees II and VI.

New Article 11 A proposed by Chile (pages 12 and 13 of E/CONF.2/C.2/9).

Mr. Garcia OLDINI (Chile) referring to a suggestion by the CHAIRMAN did not think it appropriate to refer paragraph 3 (a) of the New Article to either the Committee dealing with Chapter IV or that dealing with Chapter VI. It would be better first to consider the Article as a whole in Committee II.

The representative of Chile pointed out that the New Article had been drawn up as a means to protect the under-developed countries from current economic crises through which they had suffered particularly from a lack of diversification of industrial production. Agreements among States

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were not sufficient to ensure the elimination of unwarranted disparities between the prices of raw materials and the prices of manufactured products, and he believed that patents should ultimately belong to the ITO which would reserve the right to protect them.

Mr. IGONET (France) stated that although France would wish to participate in developing the latent resources of under-developed countries, she was not in a position at present to undertake any positive obligation in this respect, as the reconstruction of France was of necessity her prior concern, and she herself could be classed among the economically under-developed rather than the well-developed countries, both at home and in her territories overseas.

Mr. RUBIN (United States) wished to avoid the distinction set by Chile between under-developed and adequately developed countries. He pointed out that even in his country there were certain branches of industry which needed development.

He shared the views expressed by France regarding the absolute commitment which would be undertaken under paragraph 1 of the Chilean amendment. He believed that the words "by all means in their powers" would have to be qualified in some way.

He hoped that Chile would not insist on the inclusion of paragraph 2 of the New Article, as it would impose an absolute obligation on one country to supply credits merely upon the request of another country. Although the United States had been glad to supply certain credits for industrial development, she would not be inclined to assume an obligation of this sort at the present Conference or if written into a document such as the Charter. He believed industrial development could be facilitated as much if not more by the investment of private capital.

Mr. OLDINI (Chile) said he understood the point of view of the representative of the United States, but felt that the Charter should recognize the reality of the world being divided into industrialized rich countries and countries industrially under-developed. It would be absurd to pretend that the needs of the two groups were the same. Encouragement of new industries, in the latter countries, would not be charity but

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would save the whole world from suffering caused through their underdevelopment. They should have special treatment which would not be extended to countries economically powerful. This matter should be stated clearly in the Charter. Although willing to make changes, if requested, in paragraph 2, the Representative of Chile insisted that the substance should remain the same.

Mr. FRESQUET (Cuba) sympathized both with the amendment of Chile and with the point raised by France.

It was decided to refer Article 11A to the Joint Sub-Committee of the Second and Sixth Committees.

Additions to paragraph 2 of Article 10 (page 3 of E/CONF.2/C.2/9) and to paragraph 1 of Article 11 (pages 6 and 7) proposed respectively by Turkey and China. (Also E/CONF.2/C.2/11)

Mr. LIEU (China) in reply to a question by the CHAIRMAN in referring to a telegram of 9 December from the International Bank, said that the Chinese amendment did not mean specifically that the ITO should make a recommendation to the Bank for a particular amount of money to be loaned to any country, and therefore it was not necessary for him to withdraw his proposal. The Bank had no technical staff to make studies of conditions, but would only consider an application for a loan if very detailed plans were submitted. Recommendations could be made by the ITO on the basis of expert advice to which the Bank had no other access.

In reply to a question by the CHAIRMAN, Mr. DENEL (Turkey) stated that he did not wish to withdraw his amendment, as it took full cognizance of the Statement of the International Bank and the Agreement between the Bank and the United Nations. He felt it would contribute towards the economic development of backward countries and was in accordance with Article 84 which provided for co-operation between the specialized agencies of which ITO was one.

Mr. RUBIN (United States) thought the Chinese and Turkish amendments conflicted with the substance of the telegram, and did not feel that it would be helpful to the activities of the Bank for the amendments to be included in the Charter. He referred to paragraph 2 of Article 10 regarding the furnishing of facilities to members by the Organization in co-operation with other inter-governmental organizations, and was in favour of retaining the wording as drafted at Geneva.

/Mr. DENEL

Mr. DENEL (Turkey) endorsed the statement of the Representative of United States, and said that he would be prepared to redraft his amendment before submission to the Joint Sub-Committee.

The Chinese and Turkish amendments were referred to the Joint Sub-Committee of Committees II and VI  
Article 11, paragraph 2; amendments proposed by Burma, Norway, Chile and Mexico (pages 8 and 9 of E/CONF.2/C.2/9)

Mr. NOVOA (Mexico) explained that the Mexican proposal was to delete present paragraph 2 and substitute a new text which was close in substance to present paragraph 3.

Mr. NYUN (Burma) stated that the intention of his country was not to give better treatment to foreign investment, but equal treatment, and this should sufficiently safeguard the interests of other members proposing to make investments in underdeveloped countries. Burma was willing to invite foreign capital, but objected to the words "unreasonable or unjustifiable" in conjunction with the words "injurious to the rights or interests of nationals" because it was difficult to know who should judge in such cases.

Mr. SKAUG (Norway) said that his delegation would consider whether it would be possible to withdraw his amendment in view of a similar amendment by New Zealand to Article 12. He assumed that he would be called upon to present the Norwegian view-point to the Sub-Committee.

Mr. GARCIA OLDINI (Chile) stated that the Chilean amendment had been made to insure the supply and the exchange of the facilities for industrial and general economic development, as it often occurred that exceptional situations or situations promoted artificially made supply impossible. He cited his country as an example of one of the under-developed countries which had suffered in this way. He hoped the Committee would study his amendments in close relation to other amendments of the Charter to prevent duplication.

Mr. COOMBS (Australia) found the Burmese amendment unacceptable, his main objection being to the obligation not to discriminate against foreign capital. Australia would wish to reserve the right to discriminate against foreign capital if for political reasons the government considered this necessary. Article 12 preserved this right and also the right to take over foreign-owned enterprises. These rights Australia believed to be fundamental. The representative of Australia disagreed with the Chilean amendment and would not be prepared to give any country a prior claim on any goods merely because it was a large buyer.

Mr. TORRES (Brazil) supported the Chilean amendment,

Mr. Garcia OLDINI (Chile) said that the Australian representative had expressed certain misgivings concerning the suggestion that priority should be reserved as regards the sending of  
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certain goods to certain countries. The present Conference, however, was attempting to establish an organization which would prevent unnecessary crises and there certainly would be instances where such crises could be avoided by supplying a country with the minimum quantity of goods necessary for its economic survival.

Perhaps the Burmese and Chilean amendments could be redrafted, but at the present time it would not be possible for his delegation to accept as mandatory in the Charter, the enactment of special legislation concerning the allocation of scarce materials and the fixing of maximum prices. He therefore reserved the position of his delegation concerning the discussions on this question in the Sub-Committee.

The CHAIRMAN said that the discussion had shown that it might be possible to get approval of a re-drafted version of these amendments and they would be referred to the Joint Sub-Committee of Committees II and VI  
Mexican and Afghan Amendments to Paragraph 3 of Article 11

It was agreed at the suggestion of the Chairman, supported by Mr. NOVOA (Mexico) to postpone the discussion of the Mexican amendment until Article 12, paragraph 3, came before the Committee for consideration.

Mr. AZIZ (Afghanistan) drew attention to the insuperable obstacles with which his country had been faced at the end of the war with respect to obtaining the necessary technical assistance for the promotion of a greater economic development. ITO could be of great help as regards that problem.

The amendment proposed by Afghanistan was referred to the Joint Sub-Committee of Committees II and VI.  
Peruvian Proposal for the Insertion of a new Paragraph Between Paragraphs 2 and 3 of Article 11

Mr. MONGE (Peru) said that the basic principles of Article 11 paragraph 1, were of sufficient importance to be able to bring about the promotion of economic development, but the Article also should lay down a procedure to implement the provisions. Articles 89 and 90 set forth coercive measures which could be applied to recalcitrant members, but not all of those measures were efficient nor would they need to be applied in certain cases. To turn the principles concerning economic development into practical measures some simple procedure such as that proposed was needed.

Mr. IGONET (France) felt that the proposal was a reasonable one and deserved the consideration of the Joint Sub-Committee of Committees II and VI.

Mr. RUBIN (United States of America) recalled that in the opinion of the legal experts in Geneva, the provisions of Chapter VIII applied to all parts of the Charter and did not require specific mention on each occasion.

/Mexican Amendment

Mexican Amendment to Paragraph 4 of Article 11

The Mexican proposal was to delete present paragraph 4 and substitute a new text. The proposal was referred to the Joint Sub-Committee of Committees II and VI subject to the right of the representative of Mexico to speak regarding the proposed deletion during the discussion of Article 12 to which the present text in part related.

Composition of the Joint Sub-Committee of the Second and Sixth Committees

It was agreed that the United Kingdom and Brazil should be added as members of the Sub-Committee.

Proposal for a Joint Sub-Committee of the Second and Third Committees

(E/CONF.2/C.2/14)

The CHAIRMAN announced that the Third Committee had proposed the creation of a Joint Sub-Committee to consider Articles 15, 16 (2) and (3), and 42.

Mr. Garcia OLDINI (Chile) expressed the view that half the representatives on the Sub-Committee should be nominated by the Second and half by the Third Committee, otherwise, there would be no point in calling it a Joint Sub-Committee.

The CHAIRMAN promised that he would be guided by the remarks of the Chilean representative in connection with the establishment of the Joint Sub-Committee. As no opposition to the idea had been expressed, it was agreed that a Joint Sub-Committee would be created with terms of reference as set out in E/CONF.2/C.2/14.

The meeting rose at 8.05 p.m.