

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

COMMISSION A

SUMMARY RECORD

First Meeting held on Tuesday, 27 May 1947 at 10.30 a.m. at
the Palais des Nations, Geneva.

Chairman: M. Max Suetens (Belgium)

After referring to the annotated agenda prepared by the Secretariat for the discussion of Chapter IV on Economic Development (E/PC/T/W/125.Rev.1), the CHAIRMAN declared the meeting open for consideration of this Chapter, which would be dealt with in the same way as Chapter III.

Mr. GUTIERREZ (Cuba), stressed the importance of Chapter IV for countries not fully developed and indicated his general agreement with the amendments to this Chapter proposed by the U.S. Delegation, although reserving his position for the moment on the first U.S. proposal.

Mr. AUGENTHALER (Czechoslovakia) asked for a clarification of the meaning of the amendments proposed by the U.S. Delegation. If they implied direct participation in management by foreign investors, this might be regarded as contrary to the spirit of the Charter.

Mr. WILCOX (United States) explained that the U.S. suggestions for amending Article 9, and Chapters I and VIII derived from their proposed amendment to Article 12. Their proposals were designed to give explicit recognition in the Charter to foreign investment as a problem related to economic development - one of the recognised purposes of the proposed Organization. Although capital required for reconstructions and industrial development

could be supplied through international organizations, by Government loans, or by private lending, it was the U.S. view that something could and should be done to encourage a renewal of the flow of private capital which had not been renewed since the war, and did not appear likely to be renewed in the foreseeable future.

In view of the Economic and Social Council's reply to the Preparatory Committee's inquiry regarding the I.T.O's. jurisdiction in the field of economic development, Mr. Wilcox suggested that a fourth commission should be established and charged with the function assigned to the Organization in Article 61 (c), provided the scope of such a commission was sufficiently broad to include both economic development and investment.

Mr. Wilcox suggested further that the questions of national treatment, most-favoured-nation treatment and compensation - which he believed were the minimum rules for private investment which should be established under Article 12 - might be referred to such a development and investment commission, which in turn should make recommendations to member Governments.

In reply to Mr. Augenthaler's question, he did not believe there was anything in the proposed U.S. amendments which would require any country to accept a foreign investment requiring foreign participation in the management concerned. The terms of any loan or foreign investment should be worked out between the countries involved.

Mr. GOTZEN (Netherlands) supported in general the United States proposal to include in this Chapter provisions regarding international investment, but stated that his Delegation might wish to suggest certain additions or alterations on minor points.

Mr. MARTINS (Brazil) in supporting generally the

United States proposals, pointed out that the Brazilian Delegation had, at the First Session, stressed that the problem of economic development was inseparable from that of the means to achieve such development.

Mr. SITZCOVICH (Chile) accepted in principle the United States proposals, reserving the right to suggest certain alterations.

Dr. LOKANATHAN (India) moved a short adjournment of the Commission to give Delegations more time in which to consider proposed amendments, particularly those which introduced entirely new features into this Chapter.

Mr. JUSSIAN (Belgium) added his support to that previously expressed for the proposed United States amendments.

Mr. MCCARTHY (Australia) stated that the Australian Delegation supported generally the United States proposals and accepted Mr. Wilcox's exposition of the United States Delegation's reasons for submitting their amendments. He proposed, however, that all proposed additions regarding investment be confined to Article 12.

Mr. CHWANG (China) indicated his Delegation's acceptance of the United States proposals with a minor amendment.

M. BARADUC (France) associated himself with the other delegates who had stressed the importance of the proposed United States amendments to this Chapter, which he fully supported in principle while making certain minor reservations. While supporting the first proposed United States amendment to Article 9, he

proposed the substitution of an alternative French text. He also supported the Australian Delegate's suggestion that all the proposed United States amendments regarding investment could more suitably be included in Article 12, and proposed that the Subcommittee might draft an article embodying all the United States proposals.

Mr. AUGENTHALER (Czechoslovakia) expressed the view that capital investment could not be treated in the same way as goods. While there was probably a need for some special rules regarding investment, they should differ from those regarding the exchange of goods.

Dr. LOKANATHAN (India) appealed to the United States Delegation not to press its series of amendments at this stage, since he believed they would completely alter the character of the Chapter and make its acceptance more difficult. He would not be opposed, however, to considering terms for international investment in another part of the Charter - for example, in Article 61(c). While it might be desirable to lay down in this Chapter a general obligation regarding investment, it was not desirable to go into detail. He suggested alternatively that the proposed development commission, if established, should investigate this problem.

Mr. WILCOX (United States) said that in view of the large measure of sympathetic interest in the proposed United States amendments to Chapter IV, which had been indicated, he believed it would be inappropriate to accede to the Indian Delegate's request. Regarding the Australian Delegate's suggestion that the problem of international investment should be treated entirely in Article 12, he would be willing to leave this point to the Subcommittee.

The CHAIRMAN stated that in order to meet the wishes of two Delegations, he would postpone further consideration of the proposed United States amendments regarding investment until the afternoon session on Wednesday, May 28. He could not postpone their consideration longer in view of the necessity of maintaining the time-table for Charter discussions. The Commission would continue its discussion of Article 9, with the exception of the United States amendment, and proceed to Article 10 and 11, at 3:00 p.m.

The meeting rose at 1:00 p.m.