

SECOND COMMITTEE: ECONOMIC DEVELOPMENT

SUMMARY RECORD OF THE THIRD MEETING

Held at the Capitol, Havana, Cuba
on Monday, 1 December at 10.30 a.m.

Chairman: Mr. Ramon BETETA (Mexico)

The CHAIRMAN opened the meeting and invited discussion of Chapter III of the Draft Charter.

Mr. COOMBS (Australia) expressed the opinion that unless full employment, access to foreign exchange resources, and economic development in backward countries were attained, existing conditions would be frozen and trade barriers could not be removed. He emphasized that it was more important for the highly industrialized countries of the world to take action rather than to write a perfectly worded Charter which could remain a dead letter. He appealed to them to resolve the apparent conflict between stability and expansion by increasing industrial production, and to implement the Charter, which action would be in their own interest. A relatively insignificant rise in the standards of living of the Asiatic and Pacific peoples alone could keep the workers of these industrialized countries busy for many years.

Mr. MONGE (Peru) felt that too much emphasis had been given in Chapter III to production and that not enough attention had been paid to the needs of the consumer in underdeveloped countries. The London draft (E/PC/T/33) contains certain clauses to safeguard the standards of living and the working wages in underdeveloped countries, which, however, had not been incorporated in the present Draft. His delegation would present amendments regarding the principles of international investments similar to those adopted in the London draft.

Mr. KYIN (Burma) endorsed the Australian statement and expressed general agreement with Articles 8 to 11, but he wanted a definite time limit attached for implementation. With reference to Article 12 he advocated adequate safeguards against the interference of foreign investors in the internal political affairs of the underdeveloped countries. Calling attention to certain types of foreign investment which naturally tended to be monopolies, (e.g. mining), he stated that the provisions of Article 49 of the Draft were
/insufficient to

insufficient to afford adequate protection, and suggested that Article 12 should contain a provision to deal with monopolistic foreign investments.

Uniform standards should be worked out by all underdeveloped countries for the fair return of foreign capital invested within their borders in exchange for the granting of non-discriminatory status. Provision should also be made for foreign firms to open their accounts to the local government authorities, if so requested.

He felt that Article 13 was cumbersome and should be simplified. His delegation would take action to this effect by means of an amendment.

Mr. KOJEVE (France) agreed with the Australian statement and called attention to the fact that the French Union included a number of undeveloped areas.

Mr. MELANDER (Norway) agreed with the general principles of the Chapter and Article 12 but said that he would propose certain amendments later.

Mr. d'ANNA, (Italy) supported Article 8 and emphasized the special interest of Italy in world prosperity, since his country was dependent upon foodstuffs from abroad for which it could pay only with the products of its skilled manpower or with the proceeds of the tourist trade. Italy faced greater problems than other countries because of its excess population, among which unemployment had already set in and because of the lack of raw materials and war devastation, his Government had already, on its own initiative, adopted measures to implement the provisions of Article 12 and was in general agreement with its principles.

Mr. NASH (New Zealand) felt that peoples with low living standards, despite the rich natural resources of their countries, were a threat to the prosperity of more highly developed countries and that therefore the industrialized countries in their own interest had to support the attempts of the underdeveloped ones to develop their resources. This would require large foreign investments but he questioned the right of any foreign investor whether a private citizen or a government, to operate in another country without the government's expressed approval. The national rights to inquire into fair terms of foreign investments should be safeguarded equally in the case of government to government investments and in the case of private direct investments. The government of the country in which investments were made would have to retain the right to see that its own resources were not unduly depleted and to insure this, no investment should be allowed to be made unless it was first approved by the government. The provisions of Article 12 were insufficient to assure this. His delegation would later propose an amendment to correct this aspect.

/Mr. LIEU (China)

Mr. LIEU (China) supported the remarks made by the representatives of Australia, Burma, Peru and New Zealand and asked for more definite provisions in Chapter III.

Mr. NOVOA (Mexico) felt that the Charter placed too much emphasis on regulations and not enough on economic development. However, it was undesirable to refer to the role of the International Bank for Reconstruction and Development in connection with Chapter III as that institution had its own principles of operation.

Mr. JIMENEZ (El Salvador) recalled the bad experience of his country owing to the disregard by foreign investors of national sovereignty and of the maintenance of proper living standards and wages for its workers. A greater reciprocity should be attained between the safeguarding of the investments and the standards of living. Nationalization was an expedient to which underdeveloped countries resorted only as a matter of self-protection. Their only power to safeguard themselves in any other way was often only theoretical.

Mr. MORESCO (Argentina), Mr. SHAMMA (Lebanon) and Mr. BLAZEJ (Czechoslovakia) agreed with the Chapter III in principle and said that they would speak at greater length in the discussion of individual articles.

Mr. ZAYED (Egypt) agreed with Articles 11 and 12 and stated that his country welcomed foreign investors who were always treated on equal terms with its own nationals. To Article 12, paragraph 2, sub-paragraphs (a) and (b) he suggested the addition of a rider that transfer or compensation should be subject to the legislation of the country concerned. Further amendments to Articles 13 and 15 would be submitted by his delegation, in the latter case to insure preferential treatment as among members of the Arab League.

Mr. DJEBBARA (Syria) considered the wording of Article 13 inadequate as presenting too many loopholes and almost inviting countries to adopt the impediments it was designed to avoid. A more positive approach was needed that would show clearly that the adoption of such impediments was prohibited and co-operation was mandatory. Foreign investors were accorded the same rights in his country as nationals and all safeguards were given to their investments.

Mr. FARINA (Uruguay) agreed with the previous speaker regarding the vagueness of the wording on Article 13. He felt that the same uncertainty existed in Article 14 and was even more serious, as the notification clause of thirty days would tend to make implementation impossible and his delegation could therefore not accept it.

/Article 15 should

Article 15 should state the principle of preferential agreements only; a vote of two-thirds should not be necessary. Paragraph 2 was unnecessary. All that was required was a reference in Article 15 to Article 42. He considered that Article 12 as now drafted conflicted with the Uruguayan legal code. Uruguay could not give special rights or protection to foreign capital because the Constitution stipulated the equal treatment of foreign and local investors. Article 12 should be changed to a simple declaration of principles.

Mr. HAIDER (Iraq) was of the opinion that the new Organization should be in a position to assist war devastated and underdeveloped countries to a greater extent than had been envisaged by the Charter as drafted. More study of Article 12 was needed in order to safeguard and facilitate capital investment if the national interest of the country concerned was not to be disregarded. The provisions of Article 14 would work to the detriment of those countries which might wish to enforce restrictions at a date later than the signing of the Charter. Underdeveloped countries could not now foresee all the problems that might arise and Article 14 would place them at a very disadvantageous position as compared with the industrialized nations.

Mr. ARAUJO (Colombia) suggested the adoption by the Organization of more practical solutions for a system of financial co-operation, for example, through the avoidance of international double taxation, the study of natural resources and technical, agricultural and industrial development to implement the Charter's principles. The lack of expert technical advice was the crucial point, since commercial enterprises in the developed countries, which possessed these skills, were often opposed to development in other countries. Co-operation between governments therefore was more promising. Multilateral agreements on tariffs and taxation had been proposed before, e.g. by the League of Nations, but had never given practical results. The flow of international capital, interrupted since 1930, should be stimulated again by multilateral agreements which would eliminate double taxation. If capital were taxed only in the country in which it was invested, this would be a powerful incentive to underdeveloped countries, and at the same time would compensate them for the other obligations which they would accept under the Charter. His delegation would present a number of amendments to Chapter III to this effect.

Mr. HURTADO (Venezuela) took exception to the rigidity of the provisions of most of the Articles and remarked that Articles 10 to 12 would not oblige the greater or more industrialized countries to assist the weaker or less industrialized countries. He supported the suggestions of the representative of Colombia and regarding Article 12, also those of Uruguay.

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He reserved the position of his delegation to Articles 12 and 14, in the feeling that they promoted unequal treatment of countries.

Mr. GUTIERREZ (Cuba) recalled the efforts made by his delegation during the preparatory work for the inclusion of Chapter III in the Charter.

He invited the members of the Conference to study the discussions that had taken place in London and Geneva, in order to realize that the present text included only the points on which all countries had agreed. Their own effort to improve their lot would prove more important to the underdeveloped countries than any attempt to write a perfect legal document. The great possibilities in Articles 10 and 11 could be achieved only if national action by all countries would implement them. He felt that matters which were properly the concern of other international bodies should not be discussed here. Article 13 was very important inasmuch as it would permit members to take certain measures which previously had been prohibited. He invited everybody to adopt a more co-operative attitude in accepting a compromise wording.

The CHAIRMAN summarized some of the outstanding points made in the meeting and stated that it seemed to him that the general principles of the Chapter met with approval. Accordingly he inquired whether Article 8 might not be approved forthwith. After a short discussion in which Mr. COOMBS (Australia), Mr. NOVOA (Mexico), Mr. LIEU (China), Mr. GUTIERREZ (Cuba), Mr. ARAUJO (Colombia), Mr. MONGE (Peru) and Mr. COREA (Ceylon) participated it was decided to postpone the examination of the text article by article until the next meeting.

The meeting rose at 12.50 p.m.
