

SECOND COMMITTEE: ECONOMIC DEVELOPMENT

SUMMARY RECORD OF THE SIXTH MEETING

Held at the Capitol, Havana, Cuba, on Thursday, 11 December 1947 at 4.00 p.m.

Chairman: Mr. BETETA (Mexico)

REPORT OF THE CHAIRMEN OF THE SECOND AND SIXTH COMMITTEES CONCERNING THE TERMS OF REFERENCE AND MEMBERSHIP OF THE JOINT SUB-COMMITTEE (document E/CONF.2/C.2/8).

Mr. OLDINI (Chile) felt that, in order to give the Mexican proposal all the attention it deserved, the scope of the Joint Committee would have to be widened. This would, however, put an undue burden upon it and he proposed therefore that its work be divided into two parts; one part, namely Articles 9, 10 and 11 to be dealt with by a Sub-Committee of Committee II only, and the second part concerning the Mexican proposal for the establishment of an Economic Development Committee to be dealt with by a Joint Sub-Committee.

The representatives of CHINA, AUSTRALIA and NORWAY supported the proposal of the Chairman and the terms of reference and membership of the Joint Sub-Committee of Committees II and VI were approved.

REPORT OF THE SUB-COMMITTEE ON ARTICLE 8 (document E/CONF.2/C.2/A/1).

Mr. SHACKLE (United Kingdom) explained that the Sub-Committee had considered four alternative drafts of Article 8 in order to avoid the term "common interest" to which the Chinese delegate had objected previously. The Sub-Committee, he stated, suggested alternative (a) subject to the decision of the Chinese delegation as to whether it desired to have included a reference to "common concern".

Mr. LIEU (China) stated that the text of alternative (a) was acceptable to his delegation on condition that the word "common" be deleted.

Mr. NASH (New Zealand) emphasized the necessity for stating clearly the common interest that all countries had in the world's human and material resources. For that reason he preferred the original wording of Article 8.

Mr. ENTEZAM (Iran) stated that from his country's point of view it was imperative to make it clear in the text of Article 8 that "common interest" could not be used as a justification for interference in the

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internal affairs of a sovereign State. He was therefore opposed to the wording of the Article as presented in the Draft Charter.

Mr. GILDI (Chile) remarked that the text should express the obligation of all Member States to utilize the world's resources for the welfare of all nations.

Mr. BRIGNOLI (Argentina) suggested consequently the following draft:

"The Members recognize that the productive use of the world's human and material resources, and the industrial and general development of all countries, and particularly of those in which resources are as yet relatively undeveloped, will improve opportunities for employment, enhance the productivity of labour, increase the demand for goods and services, contribute to economic balance, expand international trade and raise levels of real income."

After a discussion in which the representatives of CHINA, AFGHANISTAN, and the PHILIPPINES participated, the CHAIRMAN stated that he found general agreement in the Committee that the wording of Article 8 should be such that it could in no way be interpreted in the name of "common interest" to involve property rights of one country in another country.

Mr. COOMBS (Australia) stated that the merit of drafts considered by the Sub-Committee was, that none of them could be interpreted to imply property rights of countries in other countries' resources. However, in the light of the foregoing discussion, he proposed that the Sub-Committee should prepare a further draft of Article 8. This suggestion was supported by Mr. ENTEZAM (Iran).

Mr. ZORLU (Turkey) suggested in addition, that the Sub-Committee should consider the insertion of some phrase similar to that contained in Article 12 where it was stated that foreign investment was not to be used as a basis for interference in the internal affairs of Member countries.

Mr. SHACKLE (United Kingdom) put forward the following draft in order to avoid having to refer the question back to the Sub-Committee:

"The Members recognize that the productive use of the world's human and material resources will benefit all countries, and is of concern to them all and that the industrial and general economic development ....."

After further discussion, it was decided to refer the matter back to the Sub-Committee and at the suggestion of the Chairman to enlarge the membership by the addition of New Zealand, Iran and Argentina.

#### ARTICLE 9

With the consent of Mr. MAHADEVA (Ceylon) the amendment proposed by Ceylon to delete the word "progressively" which had been discussed at the

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fifth meeting was referred to the Joint Sub-Committee of Committees II and VI.

With reference to the amendment submitted by Mexico to delete the words "through measures consistent with the other provisions of this Charter", Mr. NOVQA (Mexico) stated that in his opinion the words proposed to be deleted were unnecessary.

Mr. COOMBS (Australia) said that he would like to have a legal opinion as to whether the words proposed to be deleted were redundant or whether the deletion of the words would mean that Governments would be authorized to take action inconsistent with other provisions of the Charter. He also enquired whether there would be any change in meaning if the words "measures consistent with" were changed to "measures not inconsistent with".

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

Article 9 was then approved with the exception of the two amendments to be referred to the Joint Sub-Committee.

#### ARTICLE 10

The amendments submitted by Burma to substitute the word "development" for the word "plans" in the seventh line of paragraph 2 and by Pakistan to add the words "capital goods, equipment and materials" to the end of paragraph 2 were referred to the Joint Sub-Committee.

The CHAIRMAN stated that the Turkish addition to paragraph 2 (E/CONF.2/C.2/9, page 3) regarding recommendations to the International Bank for Reconstruction and Development had been partially discussed, but that in view of the fact that there was a similar amendment to Article 11 proposed by China and that he had received a telegram from the Bank which would be distributed as a document he proposed that consideration be postponed.

Mr. ZORLU (Turkey) agreed and explained that the purpose of the amendment was to fill a gap which he felt existed in the Charter. He requested that the Turkish amendment be interpreted in the light of Article 4 of the agreement between the Bank and the United Nations and of the need for co-operation between the ITO and the Bank.

With regard to the additional paragraphs 3 and 4 (E/CONF.2/C.2/9, page 4) proposed by Mexico the Chairman stated that paragraph 4 regarding the proposed Economic Development Committee would be referred to the Joint Sub-Committee.

Mr. COOMBS (Australia) agreed and stated that his delegation regarded the development of undeveloped countries as the basis of the success of the ITO and had come to the conclusion that no prejudgment as to how this object could be achieved should be made. The task of writing a Charter  
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should not be confused with working instructions to the Organization. The internal structure of the ITO should be kept as flexible as possible and that the first session of ITO Conference should formulate the working instructions. The ITO would not do its best work through part time committees. A small and expert full time staff would be preferable. The Organization should not tie its own hands by formulating too rigid a Charter. The Committee should not commit itself too deeply now because of the requirements of a two-thirds majority for any alteration in the Charter.

With regard to the additional paragraph 3 proposed by Mexico, Mr. NOVOA (Mexico) stated that domestic savings should be used in productive activities before countries turned to other countries for help.

Mr. de VRIES (Netherlands) stated that Article 9 covered the development of domestic resources and thought the amendment should be considered under Article 9.

Mr. NOVOA (Mexico) thought that the proposed paragraph 3 should remain in Article 10.

The amendment was referred to the Joint Sub-Committee and at the suggestion of Mr. RUBIN (United States) the Joint Sub-Committee was asked to consider whether the amendment should fall under Article 9 or Article 10.

With regard to Article 10, paragraph 1, Mr. MATSCH (Austria) asked whether it would be possible for a country which was not a Member of the United Nations to co-operate with the Economic and Social Council.

The CHAIRMAN stated that the matter would be referred to the Joint Sub-Committee.

Article 10 was approved with the exception of the matters referred to the Joint Sub-Committee.

#### PROPOSED NEW ARTICLE 12A

The CHAIRMAN suggested that in view of the close connection the new Article 12A proposed by Colombia (E/CONF.2/C.2/9, pages 25-27) should be taken up in conjunction with Article 10.

Mr. ARAUJO (Colombia) said that careful consideration given to the place of this proposed Article but that he had no objection to a first reading at this point. He stated that sub-paragraph (a) of the first paragraph was designed for the establishment of technical institutions to study the natural resources of countries and formulate plans for the adequate use of these resources. Today there was no organization to fulfil this task. The underdeveloped countries lacked technical workers and expert advice and had not the economic resources to carry out the task. As a consequence they were forced to make contracts with international

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business firms. Colombia had had unhappy experiences with foreign firms, who had not displayed good-will to the country and looked forward to the day when technical studies would be carried out by an international organization.

With regard to paragraph (b) of the proposed new Article he stated that Colombia felt that no private investment should be made without express authority from the country in which such investment was to be made. Investments made in countries should not be subject to taxation in the country of origin of the investment. Double taxation should be eliminated.

With reference to paragraph 2 it should be noted that there were already institutions established by the United Nations and by the United States of America for loans for monetary stabilization and economic development but these were not enough. There was now no adequate or normal flow of investment. Measures taken by the Bank and the Fund could not fill the gap. Aid and assistance between Governments was necessary.

In connection with paragraph (3) the Organization in using its powers should consider whether the countries concerned had not received help from other countries, when help was needed. A country which violated the Charter in a moment of crisis could not be condemned if it had been unable to get help.

The CHAIRMAN announced that he had been called back to Mexico by his Government and would be absent for a few weeks. In his absence Mr. Abello (Philippines), the Vice-Chairman, would preside.

The meeting rose at 7.25 p.m.

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