1. Election of Chairman

Mr. Jose Garrido Torres (Brazil) was unanimously elected Chairman of the Sub-Committee.

2. General Discussion of Article 12

At the suggestion of the Chairman the Sub-Committee began a general discussion of Article 12 and the amendments submitted thereto preliminary to a consideration of the Article paragraph by paragraph.

Mr. Llosa (Peru), on the invitation of the Chair, made a statement supporting an amendment to paragraph 1 of Article 12 which was proposed by Peru subsequent to the issuance of the Annotated Agenda which had been considered by Committee II. The amendment to be inserted in line 14 of paragraph 1, reads as follows:

"They also recognize that such investment should be available in reasonable terms for the receiving countries; that it should be aimed at the promotion of production appropriate for these countries, especially of that which increases their national income, and that it should take into account the necessity of according a just, equitable and non-discriminatory treatment to the personnel employed therein, whose welfare should also be justly considered."

The Sub-Committee agreed to consider the Peruvian amendment when it considered amendments to paragraph 1.

Mr. Adarkar (India) raised a question regarding the definition of international investment for purposes of Article 12, and in particular asked whether it covered reserves of foreign exchange held by central banks or other governmental agencies. If such reserves were excluded as being unrelated to economic development, he considered that the same criterion might remove from the coverage of Article 12 certain existing investments in undeveloped
undeveloped countries which could not be considered to have been made for the purpose of economic development.

The delegate for the United Kingdom stated that while Article 12 might not be clear in its definition of international investment, the intent was clearly not to cover investments in the form of foreign exchange reserves.

After further discussion it was agreed to leave the definition of foreign investments for future consideration by the Sub-Committee.

Mr. HASE (New Zealand) opposed dropping paragraph 2, but stated that if paragraph 2 was dropped he would support the new paragraph 2 proposed by the United States if the word 'shall' was replaced by 'may' in this paragraph.

The delegate for Mexico suggested that the Sub-Committee should give attention to the recent report of the United Nations Sub-Commission on Economic Development. (This document has been circulated to delegations bearing the United Nations symbol E/CN.1/47, 18 December 1947 - pages 18 - 22 deal with the subject of international investment for economic development).

Dr. HURTADO NAVARRO (Venezuela) explained that Venezuela opposed the last sentence of paragraph 1 of Article 12 because it appeared that it constituted a basis by which a Member could complain directly to the Organization under the provisions of Article 89, in the event of a dispute over a foreign investment in which it was interested. The Venezuelan constitution provided that such a conflict should be adjudicated by a national tribunal at least as a first step.

3. Consideration of Amendments to Paragraph 2

On the suggestion of the Chair it was agreed to consider first paragraph 2 and the last sentence of paragraph 1, since the decision on amendments to these sections would affect the disposition of other amendments proposed to Article 12.