SECOND COMMITTEE: ECONOMIC DEVELOPMENT

DRAFT REPORT OF THE SUB-COMMITTEE ON FOOTNOTE TO
CHAPTER III ON "RECONSTRUCTION"

1. At the sixteenth meeting of Committee II the Chairman appointed a
sub-committee composed of representatives of Australia, El Salvador, France,
Mexico, Poland and the United Kingdom with terms of reference as follows:
"to examine and submit recommendations concerning the footnote to Chapter III
on 'reconstruction' appearing at the bottom of page 12 of the Draft Charter"
(E/CN.2/2/CRol.16).

2. The Sub-Committee held two meetings on 3 and 13 January 1948.
Mr. C. Novoa, of Mexico, was appointed Chairman.

3. It was noted that the discussion in Committee II had been mainly
concerned with the drafting point raised by the delegation of the
United Kingdom who had proposed the deletion of the footnote to Chapter III
which occurred on page 12 of the English text of the Geneva draft; but that
the delegate for El Salvador had also raised the question of substance,
whether economic development and reconstruction should be treated on the
same footing for the purposes of Chapter III.

4. The majority of the sub-committee were of the opinion that in view of
the size and composition of the sub-committee, its terms of reference should
be interpreted to include the drafting question only. The delegates for
Mexico and El Salvador, however, were of the opinion that the sub-committee
should deal with the point of substance also, and in this connection the
delegate for Mexico proposed that a new Article should be added at the end
of the Chapter stating that as the problem of reconstruction was of a
transitory nature it should be treated on the same terms as the problem of
development during a limited period only. The delegate of Chile, who was
not a member of the sub-committee, associated himself with this view.

5. As regards the drafting question, on which a number of suggestions had
been put forward in Committee II, the sub-committee after discussion decided
to adopt a proposal of the Polish delegate, namely, to delete the word
"reconstruction" wherever it occurred in Chapter III i.e. in Articles 9, 13, 14
and 15 and to insert a new Article at the end of Chapter III. This Article,
to be numbered provisionally, 15 A, reads as follows:

"Members
"Members recognize that the factors mentioned in Chapter III of the Charter, which will contribute to economic development, will also contribute to reconstruction and that reconstruction of devastated or depleted areas will have the benefits set out in Article 8 of the Charter. Accordingly, the rights and obligations of Members and the functions of the Organization under Chapter III of the Charter apply to reconstruction as well as to economic development."

It was also decided to leave the problem of a title for the new Article, to the Central Drafting Committee.

6. The Changes in the Geneva Draft of the Charter resulting from the decision cited in paragraph 5 above are listed in the Annex.
ANNEX

The decision to delete the word "reconstruction" from Chapter III of the Geneva text affects Articles 9, 13, 14 and 15 in the following way:*

Article 9

"Members shall...take action...designed progressively to develop and where necessary to reconstruct industrial and other economic resources...."

Article 13

Paragraph 1

"The Members recognize that special governmental assistance may be required to promote the establishment or development for reconstruction of particular industries..............."

Article 13

Paragraph 2 (a)

"If a Member in the interest of its programme of economic development for reconstruction considers it desirable to adopt any non-discriminatory measure............................"

Article 13

Paragraph 2 (c)

"The Organization....shall in its examination have regard to the considerations presented by the applicant Member and its stage of economic development for reconstruction, to the views presented by Members................................................."

Article 13

Paragraph 4 (c)

"if......there should be an increase.................in the importations of the product or products concerned.............. so substantial as to jeopardize the plans of the applicant Member for the establishment or development for reconstruction of the industries concerned.............."

Article 14

Paragraph 1

"Any Member may maintain any non-discriminatory protective measure which has been imposed for the establishment or development for reconstruction of particular industries ................"
preferential arrangements between two or more countries, not contemplating a customs union, in the interest of the programmes of economic development [or reconstruction] of one or more such countries.
Subject: DRAFT REPORT OF SUB-COMMITTEE D ON COMMITTEE II ON
FOOTNOTE TO CHAPTER XIII ON "RECONSTRUCTION"

To: Members of Sub-Committee D
From: Secretary

(1) Annexed is draft report of Sub-Committee D on Footnote to
Chapter XIII on "Reconstruction". In accordance with the decision
of the Sub-Committee on 20 January this draft report is presented
for your approval. Should it be approved by all Members of the
Sub-Committee, it will not be necessary for another meeting to be
held.

(2) You will note that Article 3 has already been approved by
Committee II. However, paragraphs 2 and 3 of Article 10 have not
yet been approved by the Joint Sub-Committee of Committees II and
VI. Should they be approved in a substantially different form or
should a new issue arise, then it would be necessary to amend this
draft report accordingly and a new draft would be submitted to you.
In the absence of such amendments this draft report, if approved,
will be formally presented to Committee II as soon as the Joint
Sub-Committee of Committees X and XI has approved its report. In
the meantime the draft report, if approved, will be informally
communicated to the Central Drafting Committee so that they may give
it any consideration which they consider appropriate.

Australia
El Salvador
France
Mexico
Poland
United Kingdom

/SECOND

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1. At the sixteenth meeting of Committee II the Chairman appointed a Sub-Committee composed of Representatives of Australia, El Salvador, France, Mexico, Poland the United Kingdom with terms of reference as follows: "to examine and submit recommendations concerning the footnote to Chapter III on "reconstruction" appearing at the bottom of page 12 of the Draft Charter" (E/CONF.2/6.2/3/E.16).

2. The Sub-Committee held three meetings on 3, 13 and 26 January 1948. Mr. C. Novea, Mexico, was appointed Chairman.

3. While the Sub-Committee agreed that there was a difference between reconstruction and development, they also agreed that for the purpose of the provisions of Chapter III reconstruction and development should be treated on equal terms. It was accordingly agreed to recommend the following changes in Article 8 and in paragraphs 2 and 3 of Article 10.

In the text below the words underlined are those recommended by the Sub-Committee.

**Article 8**

"The Members recognize that......and that the industrial and general economic development of all countries, and particularly of those in which resources are as yet relatively undeveloped, together with the reconstruction of those countries whose economies have been devastated, will improve opportunities............."

**Article 10 paragraph 2**

"With a view to promoting industrial and general economic development and consequently higher standards of living, especially of those countries which are still relatively undeveloped, together with the reconstruction of those countries whose economies have been devastated, and subject to any arrangements............."

**Article 10 paragraph 3**

"With a view to promoting industrial and general economic development especially of those countries which are still relatively undeveloped, together with the reconstruction of those countries whose economies have been devastated, the Organization shall..............."

With respect to other parts of Chapter III it was agreed to recommend that the Central Drafting Committee be asked to include at the appropriate places such references to reconstruction as will result in the treatment of reconstruction and development on equal terms.