SECOND COMMITTEE: ECONOMIC DEVELOPMENT

SUMMARY RECORD OF THE SEVENTH MEETING

Held at the Capitol, Havana, Cuba
13 December 1947 at 10.30 a.m.

Chairman: Mr. E. ABELLO (Philippines)

1. CONTINUATION OF DISCUSSION ON NEW ARTICLE 12A PROPOSED BY COLOMBIA

   The CHAIRMAN said that before the Committee began discussion of new Article 12A, proposed by the delegation of Colombia, he wished to suggest (1) that the Committee should at the same time consider the amendment to Article 12 proposed by Chile which appeared at the bottom of page 20 and the top of page 21 of the revised annotated agenda and which was closely related to paragraph 1 (a) (vi) and paragraph 2 of the new Article 12A. His second suggestion referred to paragraph 1 (b) of the proposed new Article 12A. As double taxation was referred to in Article 69 he felt the Committee might wish to refer paragraph 1 (b) to the Sixth Committee, which was dealing with that Article.

   Mr. OLDINI (Chile) agreed with the Chairman's proposal regarding the Chilean amendment.

   Mr. ARAUJO (Colombia) emphasized that Chapter VII of the Draft Charter dealt solely with the structure and functions of the ITO, and therefore it would not be in order to refer paragraph 1 (b) of the proposed new Article 12A to the Sixth Committee for consideration in connection with Article 69. The question of double taxation was of paramount importance to economically weak countries and paragraph 1 (b) should be considered in connection with the problem of economic development.

   Mr. LIMA (El Salvador) supporting the remarks of the representative of Colombia, suggested that the amendment submitted by the delegation of Costa Rica (page 21 of document E/CONF.2/C.2/9) should be discussed at the same time as the amendments submitted by the delegations of Chile and of Colombia.

   Mr. SHACKLE (United Kingdom) said that the question of double taxation was a highly complicated one and should be left for experts of the future ITO to study.
Mr. BLAZEJ (Czechoslovakia) referred to Resolution No. 67 adopted by the Economic and Social Council at its Fifth Session and said that there might be a duplication of the work done by the Fiscal Commission of the United Nations, if the study of the problem of double taxation were to be undertaken by the ITO.

Mr. RUBIN (United States of America) supported the remarks of the representative of Czechoslovakia and considered that in view of the work being done by the Fiscal Commission the provisions of Chapter VII of the Draft Charter should stand as at present drafted. Provision should be made, however, for co-operation between the ITO and other organizations already operating in the same field.

Mr. ADARKAR (India) endorsed the remarks of the representatives of New Zealand and of the United Kingdom, and considered that the ITO should deal with the problem of double taxation by means of studies in connection with Article 69 (c) (ii). Although it was correct that some countries might be able to deal with the problems of investment and double taxation by means of bilateral or multilateral regional agreements, most of them could not do so.

Mr. ARAUJO (Colombia) requested that new Article 12A should be discussed paragraph by paragraph in the order in which it was drafted, beginning with the preamble. Although he agreed with the representative of the United Kingdom that the matter of double taxation was one for experts to consider, he felt that the Chapter of the Charter dealing with economic development should give some directive in the matter.

Mr. COLOCORONIS (Greece) said the question of double taxation was of importance to industrialized as well as to under-developed countries. He proposed that paragraph 1 (b) of the new Article 12A should be divided into two parts. The first part relating to the co-ordination of systems of taxation to facilitate private investment in development countries should be dealt with by Committee II. The second part regarding the bases of taxation, should be dealt with by such committee as might be decided upon.

Mr. ARAUJO (Colombia) supported by Mr. OLDINI (Chile) repeated his request that the proposed Article be discussed in the order in which it was drafted.

The CHAIRMAN said that in compliance with the request of the representative of Colombia new Article 12A, including paragraph 1 (b), was open for discussion. After discussion a decision would be taken as to which Committee the whole of new Article 12A or paragraph 1 (b) would be referred.

Mr. FARINA (Uruguay) supported the remarks of the representative of Czechoslovakia. The problem of double taxation had many aspects and that
connected with economic development was only one of them. Chapter III of the Draft Charter should contain a clause connecting Article 12A with the provisions of Article 69.

Mr. MONGE (Peru) said that had the hopes raised by the establishment of the International Bank for Reconstruction and Development materialized it would not have been necessary to mention the problem of investments in the Draft Charter of the ITO.

The delegation of Peru supported the Colombian proposal, although it considered that the second part (paragraphs 2 and 3) did not solve the problem with which it was concerned.

Mr. COOMBS (Australia) said his delegation found the amendment submitted by the Colombian delegation full of sound suggestions as to the activities of the ITO in relation to economic development. It felt, however, that the new Article 12A contained not only provisions appropriate to the Charter but also provisions appropriate to the report of the ITO to its first conference.

Mr. Coombs suggested that it should be decided which part of the new Article 12A might be incorporated in the Charter as a permanent basis for the future activities of the ITO, and which part should be embodied in a resolution or a directive to whatever interim organization might be established.

Mr. de VRIES (Netherlands), said that all delegations agreed with the principles expressed in the Colombian proposal. He pointed out, however, that the preamble was not so strongly worded as was paragraph 1 of Article 10, which referred also to co-operation for economic development.

Referring to the report of the United Nations Secretariat on the functions and activities of Specialized Agencies in the field of economic development (document E/CONF.2/C.2/4), Mr. de Vries emphasized that there should be no overlapping of work between those organs and the ITO. He referred to clause (iv) of new Article 12A on pages 26 and 27 of document E/CONF.2/C.2/9, and pointed out that certain of the activities therein mentioned came within the scope of UNESCO and ILO, WHO and FAO.

The CHAIRMAN presumed that apart from the question of double taxation, there was no opposition to the principles of the Colombian amendment.

Mr. SHACKLE (United Kingdom) said that countries could not be expected to accept a priori, such an undertaking to promote economic development by means of bilateral treaties or multilateral conventions of a regional nature. Each regional arrangement had to be studied thoroughly before it was established. He was inclined to agree with the Indian representative that the question of investments would have to be dealt with on a world-wide rather than on a regional basis.

/Mr. ADARKAR
Mr. ADARKAR (India) was unable to accept the view that the economic development of certain regions could be promoted by the countries of that region.

The Organization would not be able to carry out its fundamental objectives concerning world trade unless, at the same time, it shouldered its share of the responsibility for economic development.

Although Mr. Adarkar did not consider that economic development could best be carried out by regional arrangements, he felt that ITO might have to make such arrangements for the provision of technical assistance. That question should be left to the Executive Board to decide. He accepted the Colombian amendment with the exception of the question of regional arrangements and requested that provision concerning the methods by which ITO would grant technical assistance, should be inserted in Article 10.

Mr. GUTIERREZ (Cuba) felt that the Colombian amendment could be referred to ITO when established for consideration, but, first, the Conference would have to decide whether it supported its basic principle.

The Cuban delegation had already made clear its attitude concerning the lack of proportion which existed between the commercial and trade provisions of the Charter and those which related to employment and economic development. On reading the Charter, it would seem that the prosperity of the world depended exclusively on the expansion of international trade. For that reason a sub-committee or study group would have to be created to consider the Colombian proposal and to decide how much of it should be included in the Charter and how much should be considered at a later date.

Mr. Gutierrez did not deny that certain aspects of the proposal were already covered in the terms of reference of the International Bank and FAO, but the specific question of economic development was not being dealt with by any specialized agency.
The CHAIRMAN drew the Cuban representative's attention to the terms of reference of the Joint Sub-Committee, according to which, in his opinion the Colombian amendment would be referred.

On the understanding that the Joint Sub-Committee would be able to devote sufficient attention to the proposal, Mr. GUTIERREZ withdrew his proposal for a separate sub-committee.

Mr. MELANDER (Norway) associated himself with the remarks which had been made by the United Kingdom representative. The problems of economic development were being studied by the Sub-Commission on Economic Development of the Economic and Social Council and by specialized agencies and it was essential to prevent ITO from becoming a super-organization with authority over all the various economic and social organizations.

... His country was in need of capital and technical assistance from other countries and he therefore recognized the problems of economic under-development. The principal function of ITO (however) was the promotion of international trade and if it were to be overburdened with work in its early stages, it would be impossible for it to carry out even its specific tasks concerning the expansion of trade.

There was no need to make a particular reference to regional arrangements in the Charter. He was also not convinced of the desirability of the reference to the creation of technical institutions, for in that way, the functions of ITO might be by-passed.

Mr. LIEU (China) considered that paragraphs 1 and 2 could be referred for study to the Organization where established, but that some reference to the provisions of paragraph 3 should be included in the Charter. ITO had to take into account the amount of assistance which was being granted to a country by other countries.

Mr. TORRES (Brazil) regarded economic development as the positive aspect of the expansion of international trade.

Parts of the Colombian amendment duplicated certain provisions of the Charter and the terms of reference of the specialized agencies. In as much as ITO should carry out positive work concerning economic development, the duplicating of the activities of other organizations would only serve to defeat that purpose.

A committee on economic development would have to be created to act as a counterpart to the Tariff Committee and the Charter would have to state clearly that if other bodies were not undertaking particular activities concerning economic development, ITO would carry out those activities.
The Colombian amendment should be referred to the Joint Sub-Committee and to help in the consideration of the question, the Secretariat should circulate a summary of the report of the Sub-Commission on Economic Development.

Mr. MACLIAM (Ireland) shared the doubts of the Norwegian representative concerning the advisability, at this stage, of extending the functions of ITO along the lines suggested in the Colombian amendment.

Ireland was neither so under-developed that it would want the assistance specified in the proposal nor was it rich enough to give substantial aid to other countries. He hoped, therefore, that the Colombian representative had had in mind the fact that countries in the position of his own could not be bound by the terms of paragraph 1. The Sub-Committee should redraft the paragraph to make that point quite clear.

Mr. IGONET (France) explained that it was not the purpose of the Charter to create a super-organization, but to indicate the means by which international economic order could be established. If international action was to have useful results, it would have to show the economic interdependence of all countries, and to that end, the Charter should not contain too many obligations.

It was not for the Conference to decide whether regional arrangements should be encouraged or enlarged. The Colombian amendment should be examined by the Joint Sub-Committee and it should be noted that it would serve as a form of agenda for a further study of this question.

Mr. ARAUJO (Colombia) said that in the original Draft Charter which had been discussed in London, there had only been a very brief reference to economic development. At the instigation of the Brazilian delegation, the point of view of the under-developed countries was given a larger place in the Charter, and at Geneva, Chapter III had been adopted in its present form. Abstract, far-reaching expressions of principle, however, were not sufficient and it was fair to say that the questions of employment and economic development did not have an adequate place in the Charter.

It had been argued that those questions were being dealt with by other specialized agencies. Mr. Araujo drew attention to statements which had been made by representatives of the Bank and FAO to the effect that the former would not have sufficient technical staff, nor the latter sufficient resources to be able to give countries financial and technical assistance concerning economic development.

The Committee had to decide whether it wished to be contented with an abstract expression of principle and the conviction that by regulating
trade, greater economic development would result, or whether it wished to lay down clear and specific provisions for the future.

The CHAIRMAN announced that the new Article 12A proposed by Colombia, would be referred to the Joint Sub-Committee of Committees V and VI. He drew the attention of the Joint Sub-Committee particularly to the suggestions and points made by the representatives of Australia, Cuba, China and Ireland.