REPORT OF THE DRAFTING COMMITTEE OF THE PREPARATORY COMMITTEE OF THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

CHAPTER IV

ECONOMIC DEVELOPMENT

The text of Chapter IV as redrafted by the Drafting Committee appears in document E/PC/T/C.6/W.25 and as redrafted by the Legal Drafting Sub-Committee in document E/PC/T/C.6/W.73.
CHAPTER IV
ECONOMIC DEVELOPMENT

Article 9
Importance of Economic Development in Relation to the Purposes of this Charter

The Members recognize that the industrial and general economic 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 ultimately to economic stability, expand international trade, and raise levels of real income, thus strengthening the ties of international understanding and accord.

Article 10
Development of Domestic Resources and Productivity

Recognizing that all countries have a common interest in the productive use of the world's human and material resources, Members shall take action designed progressively to develop industrial and other economic resources and to raise standards of productivity within their jurisdictions through measures compatible with the other provisions of this Charter.

Article 11
Plans for Economic Development

1. Members shall co-operate with one another and with the Economic and Social Council of the United Nations and appropriate intergovernmental organizations in promoting industrial and general economic development.
The word "ultimately" was inserted before "to economic stability" with a view to avoiding the misleading impression that widespread industrial development in less developed countries would lead more or less automatically to enhanced economic stability. This addition stresses the time factor by pointing out that the desired degree of stability can only be attained through a combination of development and general readjustment measures.

Article 10

1. This Article was transferred from Chapter III, as explained in the General Comments on that Chapter.

2. The words "human and material" were inserted before "resources" so as to stress that the productive use of the world's resources covers material sources of wealth derived both from nature and production on the one hand and resources of manpower and human skills on the other.

Article 11

Paragraph 1 of the draft approved at the First Session has been deleted and its substance transferred to the new Article 10.
2. The Organization, upon the request of any Member, shall advise such Member concerning its plans for economic development and shall, within the competence and resources of the Organization and on terms to be agreed, provide such Member with technical assistance in completing its plans and carrying out its programmes or arrange for the provision of such assistance. The Organization may, in accordance with the principles of this Chapter, consult with and make recommendations to Members and appropriate inter-governmental organizations relating to the encouragement of the industrial and general economic development of Member countries.
1. The words "on terms to be agreed" were added so as to meet the question of the payment for assistance received.

2. The possible sources of such assistance were broadened by stating that the Organization might "arrange for the provision of such assistance", thus leaving the way open for Members to avail themselves of other means of international co-operation in this field.

3. The first sentence of this paragraph had been placed between brackets at the First Session pending the consideration by the Economic and Social Council of a specific request made by the Preparatory Committee in respect of the international allocation of functions related to economic development. This request was considered by the Economic and Employment Commission of the Economic and Social Council at its first session from 20 January to 5 February 1947. In its report to the Economic and Social Council the Commission recommended that it was premature to attempt, at least at this stage, to make a rigid division of functions not yet allocated in the field of economic development. The Commission did not see any reason at present to suggest that paragraph 3 of Article 11 of the London Charter should be omitted, provided that careful consideration were given by the Conference on Trade and Employment to the final formulation in the light of the agreed purposes and functions of the Organization, bearing in mind the responsibilities of existing Specialized Agencies and the terms of reference established by the Council for the Sub-Commission on Economic Development. It was decided by the Drafting Committee that the first sentence of this paragraph should remain between square brackets pending consideration of the question by the Economic and Social Council at its Fourth Session. It was suggested that all members of the Drafting Committee should keep in touch with their governments regarding the continued work of the Economic and Employment Commission and its sub-commissions, and the Secretariat was instructed to follow these developments and to report to the Second Session accordingly.

4. A new sentence which was incorporated to the effect that the Organization may, on its own initiative, consult with and make recommendations to Members and appropriate inter-governmental organizations, represents a transfer from Article 6(2)(4) as drafted at the First Session.
Article 12
Means of Economic Development

1. Progressive economic development is dependent upon adequate supplies of capital funds, materials, equipment, advanced technology, trained workers and managerial skill. Accordingly, the Members shall impose no unreasonable impediments that would prevent other Members from obtaining any such facilities for their economic development and shall cooperate in accordance with Article 11, within the limits of their power, in providing or arranging for the provision of such facilities.

2. Each Member, in its treatment of other Members and of business entities or persons within the jurisdiction of other Members which supply it with facilities for its industrial and general economic development, shall not only carry out all relevant international obligations to which it may be subject or which it may undertake pursuant to sub-paragraph c of Article 61 or otherwise but also shall in general take no unreasonable action injurious to the interest of such other Members, business entities or persons.

3. Any Member, or with the authorization of a Member, any affected business entity or person within that Member's jurisdiction, may submit to the Organization a complaint that action by another Member is inconsistent with its obligations under this Article. The Organization may, without prejudice to the application of Article 35, request the Members concerned to enter into consultation with a view to reaching a mutually satisfactory settlement and may lend its good offices to this end.

Article 13
Governmental Assistance to Economic Development

1. The Members recognize that special governmental assistance may be required in order to promote the establishment or reconstruction of particular industries and that such assistance may take the form of protective measures. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies unwarranted
12:1

1. Paragraph 1 now incorporates paragraphs 1, 2 and 3 of the text approved at the First Session, having regard to modifications introduced in Article 11.

2. It was felt that the addition of the words "any such" before "facilities for their economic development" did not impose any limit on the access to the facilities mentioned in the first sentence.

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1. It was suggested that the following text which has been suggested by some Delegations as an alternative in respect of Chapter VI might be considered as an alternative to the beginning of this paragraph:

"Any Member may on its own behalf or on behalf of any affected business entity...."

2. A reference to the application of Article 35 (Nullification and Impairment) has been added.
restrictions on international trade and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. (a) If a Member, in the interest of its programme of economic development, considers it desirable to adopt any protective measure which would conflict with any other provision of this Charter, or with any obligation which the Member has assumed through negotiations with any other Member or Members pursuant to Chapter V, it shall so notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption of the proposed measure. The Organization shall promptly inform those Members whose trade would be substantially affected by the proposed measure and afford them an opportunity of presenting their views. The Organization shall then promptly examine the proposed measure in the light of the provisions of this Chapter and other relevant provisions of this Charter; the considerations presented by the applicant Member, the views presented by the other Members which would be substantially affected by the proposed measure and such criteria as to productivity and other factors as it may establish, taking into account the stage of economic development or reconstruction of the applicant Member.

(b) If, as a result of its examination pursuant to sub-paragraph (a), the Organization concurs in any measure which would be inconsistent with any obligation that the applicant Member has assumed through negotiations with any other Member or Members pursuant to Chapter V or which would tend to nullify or impair the benefit to such other Member or Members of any such obligation, the Organization shall sponsor and assist in negotiations between the applicant Member and the other Member or Members which would be substantially affected, with a view to obtaining substantial agreement. Upon such agreement being reached the Organization may release the applicant Member from the obligation in question or from any other relevant obligation under the Charter, subject
1. The Delegate for New Zealand maintained the reservation made by the New Zealand Delegation at the First Session (see Section I, paragraph 3, page 8 of the Report) regarding paragraph 2 and suggested that wording similar to that contained in paragraph 3 of Article 12 should be substituted for the wording used thus introducing a simpler procedure for complaints and consultation.

2. The Delegate for Cuba maintained the reservations made by the Cuban Delegation at the First Session (see Section I, paragraphs 3 and 4, page 8 of the Report) regarding paragraph 2. He felt that his reservations were covered by the alternative text submitted by the Indian Delegation.

3. The Delegate for Lebanon proposed that further sub-paragraph be added to paragraph 2 and submitted the following text in this connection:

   (d) Members recognize that the development of industry in small nations is hampered by the lack of a sufficiently large market for manufactured goods. Consequently the Organization shall give the most favourable consideration to any proposal for preferential tariff arrangements presented to it by small Member nations belonging to one economic region, aiming at the development of industry in that region, with a view to releasing them from their obligations under Chapter V.

The Delegate for China reserved his position regarding the phrase "subject to such limitations .... Members concerned" in sub-paragraph (b) of paragraph 2.
to such limitations as may have been agreed upon in the negotiations
between the Members concerned or such further limitations as the
Organization may impose.

Subparagraph (a) If, as a result of its examination pursuant to sub-paragraph (a),
the Organization concurs in any measure, other than those provided
for in sub-paragraph (b), which would be inconsistent with any other
provision of this Charter, the Organization may release the applicant
Member from any obligation under such provision, subject to such
limitations as the Organization may impose.

The Delegate for India with the support of the Delegates for China,
Cuba and New Zealand submitted the following additional text to Article 13:

1. Members agree that they will not impose new or intensify existing
quantitative restrictions on imports for protective purposes except
when such restrictions are no more restrictive in their effect than
other forms of protection.

2. The Organization may at any time invite any Member imposing
quantitative restrictions on imports under paragraph 1 to consult
with it about the form and extent of the restrictions and shall
invite the Member substantially intensifying such restrictions
to consult accordingly within thirty days. Members agree to participate
in such discussions when so invited. The Organization shall within
two years of its institution review all restrictions existing at its
institutions and subsequently maintained under paragraph 1.

3. Any Member applying or intending to apply quantitative restrictions
on imports under paragraph 1 may if it so desires consult with the
Organization with a view to obtaining the previous approval of the
Organization for restrictions which it intends to maintain or to
impose or for the maintenance or imposition in the future of restrictions
under specified conditions. As a result of such consultation the
Organization may approve in advance the maintenance, imposition, or intensification of import restrictions by the Member in question insofar as the general extent, degree and duration of the restrictions are concerned. To the extent to which such approval has been given, the action of the Member imposing restrictions shall not be open to challenge under paragraph 4 insofar as it relates to action taken in conformity with paragraph 1.

4. Any Member, which considers that any other Member is applying import restrictions under paragraph 1 in a manner inconsistent with the terms of that paragraph, may bring the matter for discussion to the Organization. The Member imposing restrictions shall then participate in the discussions of the reasons for its action. The Organization shall, if it is satisfied that there is prima facie case that the complaining Member's interests are adversely affected, consider the complaint. It may then recommend the withdrawal or modification of restrictions which it determines are being applied in a manner inconsistent with the terms of paragraph 1. If restrictions are not withdrawn or modified in accordance with the recommendations of the Organization within sixty days, such other Members shall be released from such obligations incurred under this Charter towards the Member applying the restrictions as the Organization may specify.