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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

Economic development of under-developed countries (A/2172, chapter III, A/2192, A/C.2/L.155, A/C.2/L.165 and Corr.1-3, and A/C.2/L.166) (continued)

[Item 25]*

1. Mr. CUSANO (Uruguay) said that the one problem directly connected with the financing of the economic development of under-developed countries was the free exploitation of their own wealth. Foreign financing in the form of aid, loans or private investments was certainly a valuable and indeed an essential factor in the development of the under-developed countries but it was not the ideal solution. The ideal for an under-developed country was to attain economic independence, to dispose freely of its own resources, and to obtain foreign exchange by selling its products to buyers of its own choice. Those considerations had led his delegation to submit the draft resolution contained in document A/C.2/L.165 and Corr.1-3.

2. Uruguay had always met its commitments towards foreign capital and had no intention of changing its attitude. In that connexion, an explanation appeared necessary in consequence of comments on the Uruguayan draft resolution in *The New York Times*. After asking whether the draft should be interpreted as announcing forthcoming nationalization measures in Uruguay, that newspaper had stated that the draft represented not the position of the Uruguayan Government, but merely the opinion of one member of the Uruguayan delegation, who was head of the opposition.

3. That statement was not only erroneous but tendentious; the Uruguayan Government issued precise instructions to its delegation, which strictly conformed to them. There was no divergence between the ideas it expressed in the General Assembly and the views of its Government.

* Indicates the item number on the agenda of the General Assembly.

4. He also objected to the somewhat ironical judgment of the draft resolution in *The New York Times*. He agreed with the newspaper that the text would not mean the end of the world. In submitting it, the Uruguayan delegation was not attempting to bring about a universal upheaval but simply wished to lay down standards assuring the welfare of peoples in a peaceful setting.

5. Having said that, he wished to turn to points that various delegations had raised.

6. Some representatives had emphasized that Uruguay had gained in prestige through its policy of scrupulous observance of its obligations. It was certainly true that Uruguay had never adopted legislation detrimental to foreign interests in the country. It had never interfered with foreign capital or stopped payments on its foreign debt. The Uruguayan delegation therefore had the necessary moral authority to introduce its draft resolution. The Uruguayan Government had, of course, nationalized the public utilities and some basic industries, in particular the electric power industry, transport, the telegraph and telephone services, the water supply services, port installations, insurance, the fuel, alcohol and cement industries, fisheries, etc. Before nationalization, most such services had been provided by private firms financed for the most part by British capital, which had thus played a major role in the development of Uruguay's rising economy. He was glad to point out that the United Kingdom Government had never had to intervene between the Uruguayan Government and the British nationals who had invested capital in Uruguay. When Uruguay had nationalized its public utilities, it had paid fair and even generous indemnities to the companies concerned, in accordance with the provisions of article 32 of the Constitution then in force, dealing with expropriation. The same principles were laid down in the new Constitution adopted in 1952 by a plebescite and he was in a position to state that his country would remain faithful to its policy of justice and integrity.

7. Other representatives had said that, since the principle of nationalization was generally recognized in international law and in many constitutions, the United Nations recommendation would be tantamount to a platonic declaration. That was, however, true of the great majority of United Nations decisions and was perhaps what gave them value: great universal principles drew their moral force from the sincerity of those who recognized them. He did not, however, consider his draft resolution purely platonic. Its purpose was to affirm the need for protecting the populations of under-developed countries and justifying their governments' desire to nationalize their natural resources. It was for the United Nations to proclaim those principles and to show the same spirit of unity as in the noble preamble of the Charter which, platonic as it was, was nonetheless a splendid manifestation of confidence in the moral forces that protected suffering mankind.

8. As to the substance of the question raised in his draft resolution, nationalization was, no doubt, an old principle of state socialism; however, it was timeliness rather than age that gave principles their value. That was why in Uruguay the nationalization measures, opposed earlier, had been adopted when the time had come, namely, when the State had become technically and economically strong enough to take the place of private interests. With regard to the viewpoint of the under-developed countries as a whole, some of them had already considered, with more or less boldness, the possibility of nationalizing their natural resources, but the sovereign right of States to exploit what belonged to them should certainly not be confused with the manifestations of an aggressive and destructive ideology. In support of that view, there had been a recent statement by Mr. Hernán Santa Cruz, then Chilean representative to the United Nations, in which Mr. Santa Cruz had depicted the miserable existence of the populations of under-developed countries and had spoken of their catastrophic balances of trade. By way of contrast, he had described the under-developed countries' immense natural wealth and had stressed the fact that the industrialized countries were becoming increasingly dependent on them for industrial raw materials. Those were arguments in favour of revising the principles which governed the exploitation of natural resources in the under-developed countries.

9. For his part, he thought that, in a world which had gone through two devastating wars and great economic and social upheavals, it was no longer possible to cling to out-of-date ideas on the exploitation of the wealth of the peoples. It was a tragic error to believe in the survival of the selfish theories which deprived a country's population of the enjoyment of its own wealth. Naturally, private capital, the basis of modern society, should be respected, but it was also necessary to protect the interests of the community. As stated in the Uruguayan Constitution, the right to property was inviolable, subject to laws protecting the public interest.

10. In order to promote the economic development of the under-developed countries, suitable and permanent solutions must be found. Technical assistance, commendable as it was, was only a temporary solution; if the economic and political liberation of peoples

was sought, measures would have to be taken to enable them to exploit their natural resources themselves and for their own benefit. The Uruguayan delegation had submitted its draft resolution in that spirit.

11. Mr. SILES ZUAZO (Bolivia) emphasized that the problem raised by the Uruguayan delegation was of capital importance to the under-developed countries, in particular to Bolivia, which would participate in the debate not by discussing theory but by bringing before the Committee the results of a dramatic experience. By its recent proclamation of the nationalization of its great tin mines, Bolivia had taken a step which would affect its future history.

12. In view of its interest in the problem, the Bolivian delegation reserved the right to speak on the substance of the question at a later meeting. For the moment it would merely state that it approved in principle of the Uruguayan draft resolution (A/C.2/L.165 and Corr.1-3) and that it would welcome constructive suggestions to its own amendment (A/C.2/L.166). It might also submit other proposals to the Committee.

13. Mr. BETETA (Mexico) remarked that it was often difficult to draw a distinction between questions of international law and those arising only from state sovereignty. There was no doubt, however, that provisions governing property and the exploitation of natural resources were within the competence of the State; they were to be found in many national constitutions. Thus, article 27 of the Constitution of the United States of Mexico proclaimed the nation's right to subordinate private property to the public interest and to take the necessary steps to ensure the conservation and fair distribution of natural wealth. Mexico was therefore unable to support any proposal calling for international recognition of the right of States to nationalize their natural resources, as any such proposal would seem to cast doubt on the validity of a right the exercise of which was one of the clearest manifestations of national sovereignty.

14. While it approved of the ideas expressed in the Uruguayan draft resolution, the Mexican delegation was unable to accept the last paragraph, which recommended that Member States should "recognize" the right of each country to nationalize and freely exploit its natural wealth. It was not for the United Nations to pass judgment on a principle of unquestionable validity. Countries which were so authorized by their constitutions could exercise the right of nationalization on the same grounds as they exercised the right to levy taxes or to summon their nationals to arms, and there was no need for any international organization to recognize that right.

15. The Mexican delegation was favourably disposed towards the amendment submitted by the Bolivian delegation. That amendment was obviously intended to correct the principal weakness of the Uruguayan draft resolution, but did not quite succeed in doing so. It was no more desirable to invite Member States to "respect" the right of each country to nationalize and exploit its natural wealth than to invite them to "recognize" the right. The Mexican delegation would prefer a wording that expressed the idea behind the Bolivian amendment more clearly; the reason why Member States should refrain from exerting any kind of

pressure on countries adopting nationalization measures was that they were bound to respect every country's right to nationalize its natural wealth.

16. The expression "governmental and administrative agencies" in the Bolivian amendment also raised certain questions. Were diplomatic services, for example, also included and would they not be entitled to take action to defend the economic interests of citizens of their countries? The use of such ambiguous terms raised a whole series of complicated legal and political problems that were beyond the Second Committee's competence.

17. He therefore wished to suggest quite informally that the representative of Bolivia should revise his amendment so as to recommend that, if Member States wished to give effect to the Purposes and Principles of the Charter, they should refrain from applying political or economic coercion or any kind of reprisals against countries that had exercised or intended to exercise their lawful right to nationalize and freely exploit their natural wealth.

18. Mr. STAHL (Sweden) recalled that the Swedish delegation had already had occasion during the general debate (196th meeting) to point out that, just as a certain amount of economic equality among various classes promoted social peace within a country, so economic and social equality among nations was essential to international peace and security. That opinion was gaining ground throughout the world. In Sweden, for example, much was being done to spread information about the under-developed countries and their problems.

19. The economic development of the under-developed countries required a variety of measures, but could perhaps be best accelerated by increasing the volume of private investment, which was the only means of developing available resources within the shortest possible time. Foreign capital could not, however, be attracted unless the political and economic situation of a country was such as to inspire investors with confidence. No international organization could create that atmosphere of confidence; only the countries concerned could do so, in such manner as they saw fit.

20. As to nationalization, the Swedish delegation believed that that very complex question was not within the competence of the United Nations but was quite obviously one of the matters essentially within the domestic jurisdiction of a State to which Article 2, paragraph 7, of the Charter referred.

21. The draft resolution related to measures of a kind that many people in various countries regarded as a manifestation of a policy to which they were opposed. Adoption of the resolution and United Nations approval of such measures might therefore have the unfortunate effect of lessening the confidence of those people in the United Nations, an international Organization above internal political disputes. Such a decision would not be in accord with the Charter and would not, in the final analysis, serve the interests of the Member States.

22. Practical considerations also militated against adoption of the Uruguayan draft resolution. One of them was that, if the right to nationalize property were proclaimed without stress at the same time being

laid on the obligation to grant proper indemnity to the foreign interests affected by nationalization, the confidence of foreign investors might be weakened and the financing of the economic development of under-developed countries hindered. Thus, in its effect if not in its form, the Uruguayan draft was not compatible with the spirit of Article 55 of the Charter.

23. Because of those reasons of principle and the practical considerations he had just mentioned, he would be unable to vote for the draft resolution before the Committee.

24. Mr. CHAUVET (Haiti) said that the adoption of a draft resolution like the one being considered by the Committee would weaken the right of sovereign States to nationalize and exploit their natural wealth. From the point of view of economic independence, nationalization was essentially a domestic measure. He therefore feared that a solemn affirmation of the right would tend to destroy the effectiveness of the Committee's efforts to encourage the investment of foreign capital in undertakings in under-developed countries. The Haitian delegation would therefore, despite its willingness to co-operate, abstain from voting on the Uruguayan draft resolution.

25. Sir Clifford NORTON (United Kingdom) noted that the Uruguayan draft resolution had already produced a stimulating exchange of views in the Committee. That was natural, because it related to a controversial subject.

26. The main reason why the Second Committee should not adopt such a draft resolution was that, despite the great care with which the resolution had been drafted, the word "nationalization" alone was apt to have a different effect on potential investors. It was to be feared that the resolution would disturb both foreign investors and local capital. The general public did not ordinarily analyse a proposal of that kind very carefully and could not but be alarmed, no matter what the intentions of the sponsors were. He could not stress too strongly the effect that the adoption of the resolution might have on the efforts the Committee was making to accelerate the development of under-developed countries.

27. The resolution was not, moreover, very clearly drafted. If the Uruguayan delegation was thinking of the right of the governments of Member States to control the natural resources of their countries, then the resolution should stress that nationalization was merely one of the forms in which such control could be exercised. The legislative bodies of all countries adopted laws regulating the ownership and use of property. In some countries the laws governing title to property differed according as they applied to nationals of the country or to foreigners. Those laws also varied from one country to another. It was generally recognized that the control of property was one of the attributes of government. By reference to nationalization, however, a new concept was introduced. Nationalization was only one method by which some governments had exercised their control over resources existing or arising in their territories. It created problems of domestic politics and the solution of those problems should be left to the governments themselves, which would take such decisions as were in harmony with their

international and other commitments and the relevant constitutional provisions.

28. The Second Committee was not expected to produce legal documents, but it should beware of adopting recommendations that, for want of precision, might have unexpected consequences. The object of the sponsor of the draft resolution appeared to be the enunciation of the broad general principle that the ability of countries, and particularly under-developed countries, to control their own natural resources should be safeguarded. At the same time it needed some interpretation. He would assume from the introductory remarks of the representative of Uruguay that it was implicit in the text that countries adopting measures of nationalization would carry them out in accordance with their lawful obligations.

29. The United Kingdom delegation did not for the time being intend to submit any amendments. It had merely wished to state its views on the very serious question that had been raised and reserved its right to intervene again later.

30. Mr. ABDON (Iran) said that his delegation had carefully studied the Uruguayan draft resolution and the Bolivian amendment. It was prepared to support both, but wished first to make a few remarks.

31. A State's right to dispose freely of its natural resources was derived from the very principle of sovereignty recognized in international law. That was an inalienable right, and a disavowal or restriction of it would cause a State to lose sovereignty, without which it could not be a Member of the United Nations. Under the principle of sovereignty, every State had an unlimited right to dispose of its natural resources as it saw fit. Nationalization had been carried out in many countries, including France, Bulgaria, Poland, Yugoslavia, Czechoslovakia and the United Kingdom. Even in the United States the public authorities had established great undertakings like the Tennessee Valley Authority. Mexico and Iran had nationalized their oil industries, the former in 1938 and the latter in 1951.

32. When Mexico had nationalized its oil industry, the Government of the United States through its Secretary of State, Mr. Cordell Hull, had recognized the principle of nationalization. The Government of the United Kingdom had also recognized that principle when its Foreign Secretary had said during a debate in the House of Commons that under the United Nations Charter the raw materials of a country belonged to that country alone. In a note dated 3 August 1951, the Government of the United Kingdom had stated, on behalf of both itself and the Anglo-Iranian Petroleum Company, that it recognized the principle of nationalization of the oil industry in Iran. It had confirmed that statement in a note dated 27 August 1952.

33. There were accordingly grounds for wondering what value there was in a resolution recommending that governments should recognize the right that all States had to nationalize their natural wealth. With some amendments the resolution would, however, be useful if it recommended that States should not exert political or economic pressure against a government that had exercised its right to nationalize its natural resources.

34. He therefore thought that the Committee could make a recommendation dealing with the following three aspects of the problem before it: first, that the right of under-developed countries freely to dispose of their natural resources was a very important factor in their economic development; secondly, that the exercise of that right would safeguard the economic independence of the under-developed countries; and, lastly, that when a State exercised its right to nationalize its natural resources, the other Members of the United Nations ought to refrain from any measures of coercion.

35. The discussions in the Committee had shown that the stability of the international economy could be ensured only by the economic development of the under-developed countries. The resources available for financing that economic development were still inadequate. It was therefore necessary to give the under-developed countries a chance to turn their natural resources to account and use the proceeds of the sale of their raw materials for the execution of their economic development programmes. Certain industrialized countries would have to realize that in the modern world a policy of exploiting the resources of another country against the interests of that country's inhabitants could not be justified.

36. A State's right to nationalize its natural resources was the guarantee of its economic independence. In order to understand that side of the question, it was necessary to know why some countries had undertaken nationalization measures. In his own country, before the nationalization of the oil industry, the Anglo-Iranian Petroleum Company had kept in its possession the greater part of the proceeds of the sale of oil and had paid only modest royalties to Iran. The Iranian Government had not even had the free disposition of those royalties, which had been paid in London into a special sterling account. As the royalties had often not been convertible into dollars or other currencies, Iran had been obliged to obtain the capital goods it needed in the United Kingdom. The United Kingdom Government had been able to prevent any step which it considered contrary to its interests. The Anglo-Iranian Petroleum Company had aimed at drawing the maximum profits, but had given no consideration to the economic needs of Iran and had opposed any social reform. The concession régime had been an obstacle to the economic development of the country, as was indicated by the third paragraph of the introduction to chapter 3 of the *Review of Economic Conditions in the Middle East* (E/1910/Add.2/Rev.1).

37. Political reasons, too, had caused countries like Iran to nationalize their industries. The Anglo-Iranian Petroleum Company had interfered in the domestic affairs of Iran; in a statement made to the Security Council in 1951, the Prime Minister of Iran had pointed out that the Company, in spite of its commercial appearance, should be regarded as the modern equivalent of the East India Company which in a short time had dominated the whole of the Indian peninsula.¹ He also recalled the nationalization of oil by the Mexican Government in 1938. The economic stability of the country had been seriously threatened by the inter-

¹ See *Official Records of the Security Council, Sixth Year, 560th meeting.*

ference of the Standard Oil and Royal Dutch Companies.

38. Thus, while in Europe nationalization measures had been prompted mainly by economic and social considerations, decisions of that kind in under-developed countries had been largely due to political considerations. Iran had undertaken the nationalization of its oil industry because its very existence had been threatened by the system in force. It would be wrong to conclude from that that the Iranian Government did not wish for foreign capital. On the contrary, it was ready to welcome foreign capitalists wishing to invest in Iran, but would do so only on the basis of commercial contracts and provided that the foreign capital did not attempt to obtain privileges contrary to the interests of Iran.

39. The oil trusts were so powerful that they appealed to their governments, not only in order to impose their will on the countries in which they exercised or had exercised concession rights, but also, in certain cases, in order to oppose decisions taken by competent bodies of other great Powers. According to *The New York Times*, the Anglo-Iranian Petroleum Company had recently asked the United Kingdom Government to intervene in order to withhold its documents from the body inquiring into the activities of oil cartels. The oil firms also appealed to their governments for intervention, after the adoption of nationalization measures by a State, in order to continue their economic domination under a different form. In actual fact, the non-intervention of foreign Powers on behalf of their nationals, except where there had been a denial of justice, was a principle that could not be repudiated. Certain great Powers, however, had not always respected it.

40. At the time of the nationalization of the Mexican oil industry, the United Kingdom Government had exerted economic pressure on the Mexican Government. It had claimed that the oil companies owned all Mexican oil deposits and that, for the expropriation to be legal, the companies would have to be paid the equivalent of the total value of the subterranean reserves. The United Kingdom Government had thus tried to delay the conclusion of an agreement and create an intolerable economic situation in Mexico. In order to prevent the sale of Mexican oil on the world market, the foreign oil companies had maintained that that petroleum was a stolen commodity, and that anyone who acquired it would thereby become an accomplice to the theft. The oil companies had lodged complaints with European courts in order to be allowed to seize Mexican petroleum reaching Europe. However, the provisional seizures granted by the Netherlands courts had been revoked, one after the other. Similarly, a French court and a Belgian court had not admitted the complaints lodged by the oil compa-

nies. It was to be noted that the United Kingdom Government had resorted to similar tactics against Iran in order to prevent the sale of Iranian oil on the world market.

41. The Iranian Government had always stated its willingness to admit the principle of compensation; it had even agreed to submit the problem to the International Court of Justice. That proposal had not, however, been favourably received; Iran had been expected to pay, by way of compensation, not only the value of the Company's assets, but also the profits which the Company might have realized if the concession granted in 1933 had remained in force until 1993. The purpose of such measures had been to aggravate Iran's economic plight and to maintain the political and economic domination of the Anglo-Iranian Petroleum Company under a new form.

42. That example provided a clear illustration of the reasons which had doubtless led the delegations of Uruguay and Bolivia to submit the draft resolution and the amendment which were before the Committee. He did not think that those recommendations could have miraculous results; but they drew the attention of Member States to the responsibilities which they would incur if they adopted or maintained measures of coercion and political and economic interference contrary to all the rules of law and to the principles of economic co-operation.

43. Mr. HUNEIDI (Syria) considered that the right of States to nationalize and freely exploit their natural resources was of great importance for the economic development of the under-developed countries, all the more so as the exercise of that right by the under-developed countries often gave rise to disputes which had international repercussions.

44. In recent years the Syrian Government had nationalized a number of foreign companies in return for adequate compensation. The Syrian delegation thus considered that a country's right to nationalize its natural resources was one recognized in international law, and that it was inalienable. All the speakers had expressed the same opinion, but some of them had had doubts as to the need for adopting a resolution reaffirming the right. Others had spoken of the possible repercussions of such a recommendation on countries that were thinking of investing capital in under-developed regions.

45. The Syrian delegation did not entirely share those apprehensions, but it believed that the draft resolution should be couched in moderate terms; otherwise it might well have an unfortunate effect on investment in the under-developed countries. It would therefore support the draft resolution and any amendment that would improve its drafting.

The meeting rose at 12.50 p. m.