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MEETING
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President: Mr. Hernán SANTA CRUZ (Chile).

Present: Representatives of the following countries:
Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Representatives of the following specialized agencies:

International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund, International Civil Aviation Organization, World Health Organization.

World economic situation (E/1907, E/1910/Rev.1, E/1910/Add.1/Rev.1, E/1910/Add.2/Rev.1, E/1912 and Add.1 to 10, E/2034 and Add.1 to 9, E/2037, E/2047 and Add.1) (*continued*):

- (a) **Further consideration of the world economic situation in 1949-50, and particularly of the sections of the World Economic Report relating to economic conditions in the Middle East and in Africa and of the views submitted by Members of the United Nations in response to General Assembly resolution 406 (V);**
- (b) **Reports from governments on action taken concerning production, distribution and prices of commodities and measures to combat inflation**

1. The PRESIDENT said that, although the list of speakers in the general debate on the *Review of Economic*

Conditions in Africa (E/1910/Add.1/Rev.1) and the *Review of Economic Conditions in the Middle East* (E/1910/Add.2/Rev.1) was closed, he would, in accordance with rule 51 of the rules of procedure, give the floor in turn to the representatives of Mexico, the Philippines, the Soviet Union, China and Czechoslovakia, who had requested an opportunity to reply to points made during the debate.

2. Mr. ORTÍZ MENA (Mexico) said that to place the remarks of the Soviet Union representative concerning Mexican workers in the United States in the right perspective, he would inform the Council that, when he had left his country two weeks previously, negotiations had been in progress between the Mexican and the United States Governments for the purpose of regularizing the position of Mexican agricultural workers in the United States on the basis of the following four points: (a) governmental responsibility for making contracts, thus avoiding private intermediaries and the exploitation which would result from their activities; (b) equal pay for Mexican and United States workers in the United States; (c) medical care for Mexican workers; and (d) no employment in the United States of Mexican workers who had entered the latter country illegally.

3. Mr. BALMACEDA (Philippines), in replying to the Soviet Union representative's comments on the naval bases agreement concluded in 1948 between the United States of America and the Philippines, pointed out that the Philippines Government had entered voluntarily into that agreement in the interest of national defence and that the agreement was in no way an infringement of Philippines sovereignty; nor had it been forced on the

Philippines as the Soviet Union representative had alleged.

4. Mr. ARKADIEV (Union of Soviet Socialist Republics) said that, at the preceding meeting, the United Kingdom representative, in another effort to mislead the Council, had again raised the matter of the law passed by the Praesidium of the Supreme Soviet of the Union of Soviet Socialist Republics concerning the abolition of the Chechen-Ingush Autonomous Soviet Socialist Republic and the transformation of the Crimean Autonomous Soviet Socialist Republic into the Crimean Oblast. Soviet Union representatives had already explained at earlier United Nations meetings the reasons for the abolition of the Chechen-Ingush Autonomous Soviet Socialist Republic. There was no government which would not punish traitors to their country during a war for national survival. Had the United Kingdom representative forgotten that, in the First World War, whole groups of Irishmen had been shot without trial for alleged dealings with the Germans and that the English broadcaster from Germany during the Second World War, known as Lord Haw-Haw, had been hanged?

5. As for the United Kingdom representative's false statements about the relations between Romania and the Soviet Union, anyone who had studied the facts objectively could see that the relations between those two countries rested on the principles of the equality of rights and mutual economic assistance. In return for the commodities exported from Romania to the Soviet Union, the latter had supplied Romania with much needed capital goods for industrial development.

6. Mr. YU (China) said that the Czechoslovak representative's statement that China had been freed from foreign control was completely false. The present regime of the so-called People's Republic of China had been created by a foreign aggressor, under whose control the Chinese mainland still remained. The real situation there was the exact opposite of the false picture of peace and prosperity which the Czechoslovak representative had drawn. The Chinese on the mainland had been forced to export grain produced in Manchuria to the Soviet Union and, in order to help communist aggression, to the sorely tried country of Korea. For the past two years Chinese people on the mainland had been starving. One of the many proofs that the Chinese mainland was under the heel of the Soviet Union was the supply by the Soviet Union of vast quantities of arms to the armies of the Chinese communist regime for aggression in China and Korea.

7. Mr. TAUBER (Czechoslovakia) said that, if the French representative had thought fit to refer to the Czechoslovak law on labour camps, it had only been in order to divert attention from labour conditions in Africa.

8. The French representative, who had complained in the Council, of incomplete quotations had himself omitted to read the first part of paragraph 203 of the report¹ of the United Nations visiting mission to the Cameroons under French administration, which stated

that at Douala the mission had been asked to visit the forced labour camp at Bonaberi.

9. Mr. ABELIN (France) interrupted the Czechoslovak representative to ask that the paragraph be quoted in full.

10. Mr. TAUBER (Czechoslovakia) read out paragraph 203 of the report of the visiting mission on the Cameroons under French administration, which was worded as follows:

"At Douala the petitioners urged the mission to visit the 'forced labour camp' at Bonaberi, where it was alleged a certain number of natives were forced to load and unload vessels for very low wages and were more or less treated as prisoners. It was physically impossible for the mission to visit the spot, but it questioned various Africans who said they were unaware of the existence of this camp or of the system of forced labour at Bonaberi."

11. He then observed that the French representative had not questioned the authenticity of the documents quoted, which testified to the existence of forced labour in the Cameroons.

12. Mr. KATZ-SUCHY (Poland) said that, in answer to certain of his remarks, the French representative had stated that lack of coal and other resources in African territories under French administration was an obstacle to industrial development. The French representative had not, however, denied the figures which he (Mr. Katz-Suchy) had given of coal exports from Algeria and Morocco, and other figures which showed that there were sufficient resources in French Africa for industrial development there. Nor had the French representative mentioned the figures of coal imports into France from Morocco and Algeria. Consequently, he (Mr. Katz-Suchy) remained firmly convinced of the existence of sufficient resources in African territories under French administration for industrial development.

13. The United Kingdom representative, who had raised several matters completely extraneous to the item under discussion, had falsely described the relations between the Soviet Union with the People's Democracies as exploitation. The fact was that the treaties between the People's Democracies were based on reciprocal recognition of sovereignty and rights and on equality and were designed to strengthen the economies of all the parties concerned.

14. He was not surprised that the United Kingdom representative should have again raised the matter of the law concerning the abolition of the Chechen-Ingush Autonomous Soviet Socialist Republic and the transformation of the Crimean Autonomous Soviet Socialist Republic into the Crimean Oblast. He was only surprised that it had been raised so late in the debate. The republics had for long formed part of the Soviet Union and the reasons for the changes made in their status had been described at length at other meetings within the United Nations. The real reason for the United Kingdom representative's refusal to reply to the statements made by the Polish delegation and the other delegations from the People's Democracies was that they were statements of undeniable fact and could not be disproved. The

¹ See *Official Records of the Trusteeship Council*, seventh session, Supplement No. 2 (T/798).

United Kingdom representative had preferred to utter a number of slanderous accusations on matters unconnected with the topic under discussion.

15. Mr. LUBIN (United States of America), referring to the Polish representative's use of the word slanderous, said that for several meetings the representatives of the Soviet Union, Czechoslovakia and Poland had done little but make false and slanderous charges against other States Members of the Council. He would not reply to all the slanderous charges made by the Soviet Union representative concerning the domestic and foreign policy of the United States Government, since to do so would invest them with a dignity they did not possess. He would not take up the Council's time by refuting the quotation from a publication of the American League for the Defence of Workers; false slanderous statements were only to be expected from that organization since it was paid to utter them by the authorities in Moscow. The Soviet Union representative had asserted that three million persons living in the United States had never been to school; it should be pointed out that nearly all of them were immigrants from what were now the so-called "countries of popular democracy". His own parents, who had come to the United States in the 1880's from one of those countries, had never gone to school, but before they died they had become honoured and educated members of the community in which they lived.

16. It was an historical truth that, to cover their own failures, the rulers of totalitarian countries, such as the Soviet Union, threw up smoke-screens of abuse against other countries, as the representatives of the communist countries represented on the Council had done at the present meeting. They had invented capitalist bogeys in the Middle East in order to supply propaganda for *Izvestia* and *Pravda*. What was the reason for that? Was it the anxiety felt in the Kremlin at the speed with which the signatory countries of the North Atlantic Treaty were building up their defences against possible communist aggression? Or was it the fact that the countries of Western Europe had so successfully rebuilt their economies with the help of the Marshall Plan? Or was it the fact that Yugoslavia had thrown off the yoke imposed by the Soviet Union, coupled with fear that the Yugoslav Government's determination to prevent at all costs a repetition of Soviet Union domination might spread dangerous ideas among countries under the Soviet Union's control? Was it the failure of communist aggression in Korea? Despite more and more vigilant police control the increasing exodus from communist countries by every means of transport, including recently even the use of a naval vessel, was evidence of how bad conditions were in the Soviet Union and the so-called People's Democracies.

17. The PRESIDENT appealed to the United States representative to be brief, though recognizing that he must have an opportunity to reply to the Soviet Union and Czechoslovak representatives who had devoted at least half of their lengthy statements at the previous meeting to attacking the United States.

18. Mr. LUBIN (United States of America) said that he would take only a few moments more; but he felt it his duty, since the Soviet Union, Czechoslovak and Polish representatives had devoted so much time to questioning the motives of the United States Government and to trying to make it appear that its policies were diabolical, to point out that the fact that hundreds of thousands of people were trying to escape from the so-called countries of popular democracy and were taking refuge in the United States and other western countries was more eloquent proof than any statistical data that the countries of "popular democracy" were not the paradise that the representatives of those countries would make them out to be. Smoke-screens were an obvious means of concealing the truth, but they were dissipated in time; inevitably the truth would come out about the real position in the Soviet Union and the People's Democracies.

19. Mr. CORLEY SMITH (United Kingdom) said that there was no need to apologize for referring again to that great outrage perpetrated upon the Chechen-Ingush and the Crimean Autonomous Soviet Socialist Republics after the disparaging comments made by the Soviet Union representative upon the administration of the indigenous peoples in dependent African territories. Were the United Kingdom Government to transport, say, the whole population of Basutoland to the Arctic Circle, as the people of the former Chechen-Ingush Autonomous Soviet Socialist Republic had been transported because of offences committed by a small proportion of the population, most members of the Council, and more particularly the Soviet Union representative, would regard that as a matter for investigation by the Council.

20. Mr. ABELIN (France), replying first to a question put by the Polish representative, said that in 1950 Morocco had imported 91,000 tons and exported 31,000 tons of coal.

21. He wished, especially, to protest once more against the Czechoslovak representative's assertion that forced labour existed in the Cameroons. A certain number of petitions addressed to the Trusteeship Council had stated that the natives of the Cameroons were subjected to forced labour. The visiting mission had made investigations at Yaounde, Douala and Bonaberi, which had all resulted in conclusions favourable to the French administration, and the previous year France had been congratulated by the Trusteeship Council on its administration of the Cameroons.²

22. As a member of the French National Assembly which had adopted the law of 11 April 1946 prohibiting forced labour and, as a member of governments which had implemented that law, he could not allow so untruthful a statement to pass unchallenged.

23. Mr. KATZ-SUCHY (Poland) said that the United States representative had tried to create the impression that the remarks made by the representatives of the People's Democracies about United States policy in regard to colonial territories were incorrect and designed

² See *Official Records of the General Assembly, fifth session, Supplement No. 4 (A/1306)*, page 52.

primarily for propaganda purposes. Those remarks were, however, based on undeniable facts, and their purpose was to bring about a rise in the deplorable living standards of the indigenous population of those territories. The United States representative had been unwilling to answer the criticisms of the representatives of the People's Democracies because they were irrefutable. The United States was engaged in building up a war economy, as was proved by many quotations typical of a war-mongering mentality. Many of them were direct quotations from statements made by prominent United States citizens, such as the Secretary of State and General Bradley, before the Senate. Could the United States representative quote any similar warlike statements by a member of the Soviet Union or Polish Government?

24. The United States representative had inferred that Poland was a communist country; it was not so yet, but he (the Polish representative) hoped it would become one by the time work on existing plans had been completed. Poland had escaped from the clutches of the capitalists and monopolists and no fury on their part would prevent it from becoming a communist country with a political system based on the teachings of Marx, Engels, Lenin and Stalin. No threats from the United States would destroy the regime of popular democracy set up in Poland in accordance with the principles of the Charter of the United Nations. The false statements made by the United States representative about the tragic fate of Yugoslavia since it had fallen into the power of United States monopolists, his reference to the escape of certain United States intelligence agents from Poland in a naval vessel and all the other irrelevant remarks he had made, constituted an attempt to conceal the fact that the United States was exploiting colonial territories, establishing war bases for aggression and planning to bomb Eastern European countries. The events in Korea were an example of what the United States was preparing for the world. The hundreds of war orphans in Korea and the destruction of that country provided an example of the results attendant upon the policy proclaimed in the Point Four Programme. No words would conceal the aggressive policy of the United States. The refusal of the United States representative to answer the charges made with regard to that policy merely confirmed them.

25. Mr. ARKADIEV (Union of Soviet Socialist Republics) asked for the floor.

26. The PRESIDENT ruled out of order any more replies to points made during the debate. In his view, the subject of the debate was exhausted, but members of the Council were free to challenge his ruling.

27. Mr. ARKADIEV (Union of Soviet Socialist Republics) reserved his right to revert to the subject at a subsequent meeting.

28. The PRESIDENT said that the Council would deal with the draft resolutions on item 2 of the agenda at the next meeting and declared the general discussion closed.

Report of the Fiscal Commission (third session) (E/1993): report of the Economic Committee (E/2063)

29. The PRESIDENT, inviting the Council to consider item 10 of the agenda, drew attention to the fact that the report (E/2063) of the Economic Committee on the report (E/1993) of the Fiscal Commission for its third session contained a series of resolutions and suggested that the Council should examine them *seriatim*.

Resolution A was adopted by 14 votes to none, with 3 abstentions.

30. Mr. CHARLONE (Uruguay) contended that the words "in principle" in sub-paragraph (b) of draft resolution B II seemed to weaken the idea expressed in the sub-paragraph—namely, that "The country in which income arises has an undoubted right . . . to tax that income". The words "in principle" would therefore be better eliminated.

31. Mr. EYSKENS (Belgium), Chairman of the Economic Committee, explained that the words in question had been included in the sub-paragraph simply as a reminder that a general rule was involved, it being a generally accepted principle in fiscal matters that the country in which income arose had the right to tax that income.

32. Furthermore, the inclusion of those words allowed for a certain degree of flexibility in application and indicated that the State was not invariably bound to tax an income which arose in its territory. Reference was made in the later passages of draft resolution B II to the conclusion of bilateral agreements, which might involve in actual practice provisions diverging from the principle set forth in sub-paragraph (b).

33. Mr. CHARLONE (Uruguay) still felt that the term "in principle" was ambiguous. The Uruguayan Government considered itself entitled, in every case, to tax an income which arose in its territory.

34. Mr. MOROSOV (Union of Soviet Socialist Republics) said he wished to comment on both parts of draft resolution B. The main purpose of that resolution was to create more favourable conditions for foreign capital to the detriment of the under-developed countries as well as of the workers of capital exporting countries. Everyone knew what enormous profits were earned by the monopolies in the United States through the exploitation of cheap labour and the seizure of raw-material markets in the under-developed countries. According to the statistics of the United States Department of Commerce, foreign investment after the deduction of taxation dues had increased over the years 1945 to 1948 by 19 per cent, 34 per cent, 27 per cent and 24 per cent respectively. The profits of individual companies were even higher. Thus the average profits derived from foreign investment by the Standard Oil Company of New Jersey amounted to three times the profits it earned from domestic investment. The report of the International Monetary Fund (IMF) submitted to the present session showed that, over the period 1946-1949,

the taxes paid on the investments of foreign companies varied between 26 and 30.5 per cent for Venezuela, 33.5 and 45.9 per cent for Northern Rhodesia and 44 and 66.6 per cent for Iran. For whose sake, it might well be asked, was it proposed to alleviate the burden of double taxation on foreign investment?

35. The Secretariat's report entitled: *The Effects of Taxation on Foreign Trade and Investment* (ST/ECA/1) emphasized that a characteristic method of stimulating foreign trade and investment was to abolish or reduce taxation on new industries in capital importing countries—namely, under-developed countries—and that that price must be paid in order to stimulate foreign trade and investment. The Economic and Social Council should not associate itself with a recommendation aimed against the interests of the under-developed countries, nor should it adopt a recommendation suggesting that revenue from foreign investment should be exempted from taxation in capital exporting countries since its effect would be to impose an even heavier burden on the working classes. For those reasons his delegation would vote against draft resolution B.

36. Mr. BALMACEDA (Philippines) proposed that, in order to reconcile the views of the Belgian and Uruguayan representatives, sub-paragraph (b) of draft resolution B II be amended by the insertion of the phrase: "as a general principle" after the words: "in which income arises has . . ."

37. Mr. DONOSO (Chile) agreed with the Uruguayan representative that the term "in principle" might lead to misinterpretations of the idea stated in sub-paragraph (b) of draft resolution B II. To obviate any misunderstanding, he formally proposed the deletion of the words "in principle".

38. Mr. CHARLONE (Uruguay) and Mr. ISMAIL (Pakistan) supported that proposal.

39. Mr. KRISHNAMACHARI (India) said that he did not consider that the deletion of the words "in principle" would result in greater flexibility of action on the part of the countries concerned. On the contrary, their retention would leave a certain amount of room for interpretation. The taxpayer had to be taxed as a resident, whether he was an individual or a corporation. What happened in many countries, among them India, was that the word resident was qualified so that a person was regarded as resident if his income arising in India in a particular year exceeded his income arising outside the country. There was therefore room for a certain amount of variation and he would urge that the words in question be retained in the text.

40. Mr. KAISR (Czechoslovakia) said he had a few general comments to make on the Fiscal Commission's report. He wished also to explain the position of his delegation, which, in the Economic Committee, had voted against or abstained from voting on the various resolutions submitted by the Commission.

41. The Fiscal Commission had in the main concentrated on the question of double taxation, which did not seem

to be of sufficient importance to justify the existence of an *ad hoc* organ of the United Nations.

42. The standardization of fiscal legislation, proposed by the Fiscal Commission would certainly involve considerable difficulty and would, at all events, constitute interference in the internal affairs of Member States, contrary to the provisions of Article 2, paragraph 7, of the Charter.

43. The Czechoslovak delegation noted that the capitalist States had endeavoured to direct the Fiscal Commission's work on lines favourable to their foreign investments and against the economic interests of the under-developed countries.

44. On all those grounds the Czechoslovak delegation would have to oppose the proposals of the Fiscal Commission, and considered that no purpose would be served by the Commission continuing its activities.

45. The PRESIDENT, declaring the debate closed, put to the vote the draft resolution B I (E/2063).

Resolution B I was adopted by 15 votes to 3.

46. The PRESIDENT put to the vote the joint Chilean-Uruguayan amendment for the deletion of the words "in principle" in sub-paragraph (b) of draft resolution B II.

The amendment was rejected by 9 votes to 5, with 3 abstentions.

47. The PRESIDENT put to the vote the Philippines amendment for the substitution of the words "as a general principle" for the words "in principle" after the words "in which income arises was" in sub-paragraph (b).

The amendment was adopted by 7 votes to 3, with 8 abstentions.

Resolution B II as amended was adopted by 14 votes to 3, with 1 abstention.

Resolution C was adopted by 15 votes to none, with 3 abstentions.

48. Mr. MOROSOV (Union of Soviet Socialist Republics) said that, with the President's permission, he would comment on draft resolutions D and E together. His delegation had opposed them in the Economic Committee on the ground that they constituted interference in the domestic concerns of States. Thus, draft resolution D, particularly in paragraph 5, attempted to impose on countries a standardized form of accounting and auditing. The same trend was manifest in draft resolution E. Indeed, discussion in the Economic Committee had proved the correctness of the Soviet Union delegation's point of view, since objections had been raised by the representatives of Canada, France, Peru and Uruguay. The French representative, for instance, had stated that the standardization of provincial and municipal finance suggested in draft resolution E could not be made generally binding, while the Canadian representative had drawn attention to the difficulties of States with a federal structure where the central government was not able to exercise control over provincial fiscal policies. Several delegations had abstained from voting and the

Peruvian representative had suggested that the draft resolution be sent back to the Fiscal Commission for further consideration.

49. The Soviet Union delegation would oppose both the draft resolutions.

50. Mr. CHARLONE (Uruguay) said that, in accordance with the position adopted by the Uruguayan representative in the Economic Committee, his delegation would vote in favour of the two draft resolutions. The world would certainly benefit from the adoption of a common system of information on public finance for general dissemination, on the understanding that it would not affect the independence of any country's internal system.

51. Mr. ROSENSTOCK-FRANCK (France), referring to the position adopted by the French delegation in the Economic Committee, said that, so far as draft resolution D was concerned, the French Government had for some time past been exchanging documentation with other governments on the precise lines suggested in the resolution and intended to continue such exchanges which it regarded as very valuable.

52. As to draft resolution E, he agreed that it would be very useful to collect documentary material on provincial and municipal finance; but from his Government's point of view it must not be overlooked that provincial and municipal budgets could not be considered independently of the national budget and, accordingly, that it would be very difficult to draw conclusions from a comparative study of the local budgets of various countries, which were framed on the most diverse lines. Rationalization or standardization in that matter was obviously a mirage.

53. Mr. KRISHNAMACHARI (India) considered that, although draft resolution E advocated the co-ordination of local fiscal policies, it did not affect the tripartite structure of federal States. Nor did it infringe on national sovereignty.

54. In his own country there was certainly considerable overlapping in budgetary policies owing to the division of responsibility between the central, provincial and local authorities. In the spheres of education and public health, for instance, certain contributions were made by the central Government, but the State was responsible for administering the monies and the local bodies for action in their areas. It was consequently not always easy to get a picture of the over-all expenditure, and he believed that the kind of co-ordination advocated in draft resolution E was wholly desirable.

55. The PRESIDENT put draft resolution D to the vote.

Resolution D was adopted by 15 votes to 3.

Resolution E was adopted by 13 votes to 3, with 2 abstentions.

56. Mr. STERNER (Sweden) said that, while he had no proposal to make on draft resolution F, he wished to place it on record that, in his view, it was desirable that the Secretary-General should study gross income taxation.

Resolution F was adopted by 15 votes to none, with 3 abstentions.

57. Mr. MOROSOV (Union of Soviet Socialist Republics) recalled that his delegation had already indicated in the Economic Committee that it was opposed to draft resolution G on the ground that the United Nations could undertake publications in collaboration with the specialized agencies but not with governments.

Resolution G was adopted by 15 votes to 3.

58. Mr. MOROSOV (Union of Soviet Socialist Republics) said that a brief study of the documents submitted by the Fiscal Commission showed that the latter was engaged in useless tasks and that its future existence should be considered as uncertain. It was therefore not desirable to instruct the Fiscal Commission to compile statements and memoranda on fiscal questions.

59. Mr. CORLEY SMITH (United Kingdom) said he assumed that, if the Fiscal Commission ceased to exist as a result of any action which might be taken by the Council in the future, the work with which it had been entrusted would devolve upon the Council.

60. The PRESIDENT stated that that was so, but held that it might be unwise and detrimental to the Council's prestige for it to adopt a draft resolution prescribing a certain programme of work for a certain body and to contradict that very resolution by deciding to dissolve that body. He therefore felt that it might be preferable for the Council to defer consideration of draft resolution H.

61. Mr. REISMAN (Canada) recalled that the Economic Committee had discussed the work of the Fiscal Commission in the knowledge that the *Ad Hoc* Committee on the Organization and Operation of the Council and its Commissions had in its report recommended that that Commission might be dispensed with. The Economic Committee had agreed to discuss the Commission's report without in any way prejudicing such future action as might be taken by the Council and on the assumption that any work prescribed for the future would devolve on the parent body if the Commission were in fact dissolved. It was on that understanding that his delegation had been prepared to consider the Fiscal Commission's report.

62. Mr. LUBIN (United States of America) said that his Government considered that the Fiscal Commission had done excellent and even exceptionally useful work and had consequently advocated in the *Ad Hoc* Committee that its existence should be prolonged.

63. The same issue had arisen in regard to the Transport and Communications Commission. He, for his part, did not see that the assignment to a body of long-term tasks necessarily precluded the termination of its existence, if such termination were ever considered desirable. Although his Government was in favour of extending the mandate of the Fiscal Commission, he agreed with the position taken by the Canadian and United Kingdom representatives.

64. Mr. CORLEY SMITH (United Kingdom), recalling that the whole question of the continued existence of

certain technical commissions would have to be considered by the Council in due course, said that in the Economic Committee the issue had turned on the question whether consideration of the reports emanating from all the Commissions should be deferred until the Council had decided on their future. The Economic Committee had reached the conclusion that it should examine those reports; delegations having the right to reserve their position where the future action of the Council was concerned. The problem was somewhat intricate, but had it not been solved in the way he had just defined the Economic Committee would have been unable to carry out its task.

65. Mr. BALMACEDA (Philippines) held that, if the Council decided in due course to abolish the Fiscal Commission, that decision would override the provisions made in draft resolution H. He added that his delegation was in favour of the Fiscal Commission continuing its work.

66. Mr. ROSENSTOCK-FRANCK (France) said that the French delegation considered that the Fiscal Commission had faithfully carried out its task. It was therefore warmly in favour of maintaining the Commission, on the understanding that the latter would meet at the request of the Secretary-General as and when necessary.

67. Mr. REISMAN (Canada) said that, at the outset, he too had taken the view that the Economic Committee should not adopt resolutions which might be negated in a matter of days or weeks. In order to save time, he had, however, agreed that the reports of the commissions should be examined without prejudice to the Council's future action. In any case he wished to reserve the right to discuss the question of the Fiscal Commission's future at the appropriate moment.

68. The PRESIDENT put to the vote draft resolution H.

Resolution H was adopted by 15 votes to 3.

69. Mr. McDUGALL (Food and Agriculture Organization), speaking at the invitation of the PRESIDENT, asked leave to comment on the fiscal problems of agriculture included in the list of *ad hoc* projects in draft resolution I. The improvement of the agrarian structure depended to some extent on the form of taxation applied to rural populations. It was consequently desirable that, in co-operation with the Food and Agriculture Organization (FAO), the Fiscal Division of the Secretariat should examine the methods whereby farmers were taxed. A study of national, provincial and local taxation on the agricultural population would be a useful step towards drawing up programmes of technical assistance. FAO was glad that the subject had been included in the Secretariat's programme of work.

70. Mr. OWEN (Assistant Secretary-General in charge of the Department of Economic Affairs), commenting on the financial implications of the programme of work set out in draft resolution I said that it imposed a very great deal of work on the Secretariat and the cost of carrying it out in one financial year would be extremely high. The Secretary-General had examined the problem

against the background of total budgetary appropriations and had been unable to recommend an increase of the Department's budget to cover those activities. The latter would, however, be carried out over a period of years in accordance with the established priorities and with the resources budgeted for.

Resolution I was adopted by 15 votes to none, with 3 abstentions.

71. The PRESIDENT drew attention to the last paragraph of the Economic Committee's report wherein reference was made to the taxation of international air transport.

72. Mr. MARLIN (International Civil Aviation Organization) speaking at the invitation of the PRESIDENT, said that during its twelfth session the Council of the International Civil Aviation Organization (ICAO) had accepted a resolution (E/CN.8/57, and E/1993, paragraph 31) wherein it recommended to contracting States of ICAO the granting of reciprocal exemption from taxation on the income and gross receipts, property taxes, capital levies or other similar taxes on international air transport operations and flight equipment engaged in such operations. Such exemptions should be granted by the bilateral negotiation of agreements relating to double taxation, the exchange of commercial air transport rights, or by legislation. The Council of ICAO had decided that, before formally adopting that resolution, it should ensure that its substance was not inconsistent with any action taken or policy adopted by the Fiscal Commission or the Council up to the time of their forthcoming meetings. The Fiscal Commission had considered the question at its third session and concluded that the records of its discussions provided an adequate answer to ICAO. He noted that the Economic Committee had, after studying the report of the Fiscal Commission, decided to transmit to the Secretary-General of ICAO resolution B II which the Economic and Social Council had just adopted. He believed that the primary reason why the Fiscal Commission and the Economic Committee of the Council had adopted that course of action was that the Council of ICAO had not had resolution B II before it when considering the problem.

73. Consequently, the Fiscal Commission and the Economic Committee had concluded that the steps taken by them provided policy guidance to ICAO. Whether that constituted a sufficient answer would seem to be a matter for ICAO, since the problem now fell within that Organization's competence.

74. Mr. MOROSOV (Union of Soviet Socialist Republics) pointed out that the Economic Committee had taken no decision on the question and had submitted no recommendations to the Council. No action was asked for from the Council under the last paragraph of the Committee's report. He presumed that the Chairman of the Economic Committee would agree with him on that point.

75. Mr. EYSKENS (Belgium), Chairman of the Economic Committee, confirmed that the Committee had considered that it should not take any special decision on the question of taxation on international air trans-

port. He pointed out that the Economic Committee had adopted resolution B, which included general principles on international tax problems.

76. The PRESIDENT stressed that, according to the statement of the Chairman of the Economic Committee himself, that Committee had not thought it necessary to make a recommendation to the Council on international air transport. However, the Fiscal Commission's report contained, in paragraph 31, a resolution adopted by that Commission which requested the Secretary-General "to forward to the President of the Economic and Social Council and to the Secretary-General of ICAO copies of draft resolution B, II on international tax problems, and also the summary records of these (the Fiscal Commission's) meetings".

77. Since neither a proposal by the Fiscal Commission nor a recommendation by the Economic Committee regarding taxation on international air transport had been submitted to the Council, it appeared that no decision was called for.

78. Mr. LUBIN (United States of America) said that he was under the impression that the Fiscal Commission had recommended that the Economic Committee and the Council note its report on the matter, ICAO being automatically informed of that fact.

79. The PRESIDENT observed that the Council had just adopted resolution A taking note of the Fiscal Commission's report which contained the above-mentioned text on international air transport. But the Economic Committee had made no recommendation to the Council on that subject and the Fiscal Commission had not submitted any resolution regarding it. Hence the question was not before the Council.

80. Mr. KRISHNAMACHARI (India), supporting the Soviet Union representative, observed that the United States representative in the Economic Committee had advocated that a positive answer be given to ICAO. By noting the Fiscal Commission's report, which contained the resolution on international air transport, the Council would not be giving a positive reply. If, by subscribing to the last paragraph of the report, the Council committed itself to approval of ICAO's interpretation, he would be unable to accept it. The situation had been correctly appraised by the Soviet Union representative. ICAO was, of course, free to interpret resolution B II as it wished, but the Council must not be a party to any such interpretation. Certain delegations had had the impression that ICAO wished indirectly to impose a certain course of action on the Council. His delegation was unable to accept such an approach to the problem.

81. Mr. BLUSZTAJN (Poland) pointed out that the Economic Committee had examined the question from the procedural angle. It had concluded, from the fact that the Fiscal Commission had adopted the resolution referred to by the President on the point submitted to the Commission by the ICAO, that there was no call for it to take any other decision on the matter. In those circumstances, the last paragraph of the report seemed

superfluous and, since it might give rise to misunderstandings, it would be preferable to delete it.

82. Mr. CORLEY SMITH (United Kingdom) believed that the question was not quite as complex as it seemed. ICAO had adopted a somewhat doubtful procedure when, for practical reasons and in order to save time, it had transmitted its request to the Fiscal Commission. The latter had adopted a resolution contained in paragraph 31 of its report deciding that the summary records of its meetings together with draft resolution B II should be forwarded to the Secretary-General of ICAO. It had been felt in the Economic Committee that such action entirely sufficed and that nothing further was needed. The Fiscal Commission had not tried to decide any particular questions, but had merely been prepared to give ICAO its views on double taxation. The Council was not called upon to examine the draft conventions negotiated between certain governments. It had laid down general principles and was prepared to transmit a resolution upon them to ICAO, leaving the latter to consider what further action it should take.

83. Mr. DONOSO (Chile) pointed out that the Economic Committee had not discussed the resolution adopted by the Council of ICAO on the taxation on international air transport, but had merely referred to the text adopted by the Fiscal Commission. It was with that fact in mind that the Economic Committee had concurred in the solution set forth in the last paragraph of its report.

84. Mr. ISMAIL (Pakistan) pointed out that the Economic Committee had not considered it necessary to express any opinion on any relationship that might exist between the resolution adopted by the Council of ICAO and resolution B II. It was for ICAO alone to examine that problem.

85. Mr. CHA (China) considered that the statement of the problem as given in the last paragraph of the report was fully satisfactory. Resolution B II laid down important proposals relating to double taxation; they might be applied in the field of international air transport. No further action was called for on the part of the Council.

86. The PRESIDENT reiterated the fact that the Council, as the Chairman of the Economic Committee had confirmed, had no recommendation before it on the subject.

87. Mr. MOROSOV (Union of Soviet Socialist Republics) considered that the question was perfectly clear and needed no further discussion. He would only recall to the Council that when, in the Economic Committee, the Chairman had asked for a decision, the Soviet Union delegation had pointed out that a decision would be useless. The Committee had accepted that point of view, and no decision had in fact been taken. Whatever views had been expressed by delegations concerned only those delegations and did not affect the Committee's position.

88. Mr. EYSKENS (Belgium) said that it would be unprofitable to prolong the discussion. The fact was that the Council had just adopted resolution A, which took note of the Fiscal Commission's report as a whole, and the

report included a resolution by the Commission on the question in point.

89. Unless it was the Council's wish to examine the substance of the special problem of taxation on international air transport—a task which would necessarily involve considerable preparatory work—there was no ground for continuing the discussion.

90. The PRESIDENT declared closed the examination of the report of the Economic Committee on the report of the Fiscal Commission for its third session.

Inter-governmental organizations:

(b) Question of invitations to certain regional organizations invited to attend previous sessions of the Council (E/2028) (resumed from the 486th meeting)

91. The PRESIDENT called for comments on the draft resolution (E/L.179) submitted by the Iranian delegation at the 486th meeting and on the report by the Secretary-General (E/2028). He added that the representative of Pakistan had informed him that he was in favour of the

immediate adoption of the draft resolution but wished further discussion of the subject to be deferred pending the receipt of instructions from his Government.

92. Mr. KHOSROVANI (Iran) said that he had little to add to what he had already said on the subject of the draft resolution. Its adoption would amount merely to reiteration of a decision taken by the General Assembly and by the Council itself at a previous session. It would not prejudice any proposals which the Pakistani representative might wish to put forward later.

93. The PRESIDENT put the Iranian draft resolution (E/L.179) to the vote.

The resolution was adopted by 15 votes to none, with 3 abstentions.

94. The PRESIDENT said that, in the absence of any objection, further discussion of the item would be deferred.

It was so agreed.

The meeting rose at 6 p.m.