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*Chairman:* Mr. Bohdan LEWANDOWSKI  
(Poland).

## AGENDA ITEM 35

**Economic development of under-developed countries (A/5220) (continued):**

**(c) Industrial development and activities of the organs of the United Nations in the field of industrialization (A/C.2/L.649 and Add.1, E/3600/Rev.1, E/3656, E/3656/Add.1) (continued)**

**CONSIDERATION OF THE DRAFT RESOLUTION OF JORDAN AND POLAND (A/C.2/L.649 AND ADD.1) (continued)**

1. Mr. KOMIVES (Hungary) praised the draft resolution of Jordan and Poland (A/C.2/L.649 and Add.1), which carried the intentions of General Assembly resolution 1712 (XVI) and Economic and Social Council resolution 893 (XXXIV) a step further. Some delegations had felt that the operative paragraph of section I was premature, that it aimed too high or that it prejudged the issue, but those views were unfounded. All that the sponsors had had in mind were ways and means of simplifying the organizational structure in the field of industrial development; they had merely stated some guiding principles which the experts on the Advisory Committee created under the terms of Council resolution 873 (XXXIII) might follow in their work.

2. He recalled that the Council and the Assembly had decided to replace the adjectives "under-developed" and "less developed" by the word "developing" and hoped that, in the interest of consistency, the sponsors of the draft resolution would modify their text accordingly. His delegation supported the draft resolution whole-heartedly.

3. Mr. DAVIS (Australia) stressed the importance his delegation attached to United Nations activities

in the field of industrial development. He was sure that the Commissioner for Industrial Development would make a major contribution to the success of those efforts and that the activities of the competent United Nations bodies could be further expanded. However, he wondered whether it was wise to lay down guiding principles for the Advisory Committee. In that connexion, he felt that the operative paragraph of section I of the draft resolution prejudged the issue. His delegation also had reservations regarding the desirability of establishing a close link between United Nations efforts in the field of natural resources, energy, and water resources and its efforts in connexion with industrial development. As the representative of Pakistan had stated, the importance of water resources extended far beyond the field of industrial development. It therefore seemed preferable to promote better co-ordination of United Nations activities in those fields and not to give the experts on the Advisory Committee the impression of prejudging the matter. With regard to section II of the draft resolution, his delegation also had some doubts concerning the need to extend the work of the Committee for Industrial Development to a complex field which was already being studied by various bodies, particularly since that Committee did not consist exclusively of experts. It might perhaps be desirable to recommend to the Committee that it consider only certain aspects of the matter.

4. Mr. WEIDINGER (Austria) did not deny that natural resources and industrial development were related topics, but he wondered whether that fact justified making a single organization responsible for studying problems bearing on all those questions. Energy resources, for example, followed their own pattern of development, and it was quite possible that nuclear energy might some day be included among them. He did not believe that industrialization and energy should be dealt with together. The same observation applied to trade and financing; the aim was improved co-ordination, but it was necessary to begin with bodies dealing with the same subject. His delegation wished to point out that the General Conference of IAEA had considered the desirability of setting up a joint body on energy to advise the developing countries. That proposal had been placed before the Board of Governors of IAEA. It would therefore be inappropriate for the Second Committee to take a decision on a procedure which was under study in another organization. Consequently, his delegation favoured omitting any reference to water or energy resources in section I of the draft resolution.

5. Mr. ROUANET (Brazil) said that the draft resolution was concerned primarily with the interrelationship between natural resources and industrial development and the interrelationship between industrial development and international trade. On the first point, it was scarcely necessary to stress that

the resources of a country determined, within certain limits, its industrial structure and influenced significantly the choice of industries. In other words, natural resources affected industrialization both quantitatively—in that they determined the scope and pace of industrialization—and qualitatively—in that the pattern of the industrial sector was itself a function of the natural resources. The World Economic Survey, 1961 (E/3624/Rev.1) clearly illustrated the correlation between natural resources and the pattern of industrialization. It showed how the large share of food industries in the total manufacturing output of Burma and Ireland reflected the particular resources of those countries. It also showed that the metallurgical industries, which played an important role in the industrial sector of Chile, Mexico, Peru, Rhodesia and Nyasaland, were a result of factors favourable to the establishment of those industries. The Survey also showed how Governments had to take that correlation into account when formulating their development policies and goals. Neither Governments nor international organizations dealing with industrial development could ignore that connexion. Mineral, water and energy resources were basic prerequisites of industrialization and could not be considered in isolation. It was pointless to view the industrialization problems of a country without a complete picture of the pattern of its natural resources. On the other hand, the various types of resources could not be considered without reference to their utilization as industrial inputs, as they would then be considered in a static perspective.

6. Those elementary facts of economic life were, of course, recognized by all countries and the United Nations took them into account in considering questions connected with industrial development. In all their work on the subject, the Committee for Industrial Development, the Technical Assistance Board and the Special Fund regarded industrial development and natural resources as part of an integrated whole. However, the structure of the Secretariat did not reflect the close interdependence: in the Department of Economic and Social Affairs, industrial activities were handled by the Division of Industrial Development and the Industrial Development Centre, while natural resources were handled by the Resources and Transport Branch. That was an artificial separation and those activities should be linked together within a single organizational structure. That was not without precedent in the United Nations, as the structure of ECA and ECAFE bore witness. Such joint treatment of factors which were closely linked to one another met the requirements of logic and efficiency and would avoid duplication and administrative overlapping.

7. The main criticism levelled against section I of the draft resolution was that its operative paragraph prejudged the issue and therefore encroached on the functions of the Advisory Committee of Experts. That criticism was not justified, since the paragraph in question merely requested the Advisory Committee to take account, in its work and recommendations, of the close connexion between natural resources and industrial development. That recommendation was in no way binding on the experts; similarly, the phrase "within one organizational structure" was wide enough to give the greatest margin of flexibility to the Advisory Committee. His delegation was convinced that the proposed specialized agency for industrial development would be the most appropriate organiza-

tional structure. Such an agency would be in an excellent position to deal with the problems of industry, natural resources and water and energy resources as an integrated whole. However, the draft resolution refrained from giving the Advisory Committee any precise directives in that respect; that was a matter which the experts would have to decide for themselves in the light of all the available evidence. The language of the draft resolution was thus not only quite moderate in that respect, but it also made no attempt to rush matters: the report of the Advisory Committee would be considered by the Committee for Industrial Development, by the Economic and Social Council and by the General Assembly at its eighteenth session. There would therefore be every opportunity for the draft resolution to be studied in all its aspects over an entire year. His delegation thought that section I of the draft resolution could be adopted without change by the Second Committee.

8. With regard to section II of the draft resolution, which concerned the interrelationship of industrialization and trade, here again it was well to refer to the World Economic Survey, 1961, in which it was said that the main factor limiting the industrial development of the developing countries was the lack of imported machinery. Only very few under-developed countries had been able to circumvent that bottle-neck by establishing their own capital goods industries. In most countries, imported capital equipment still represented between 30 and 40 per cent of domestic investment, while the remainder was absorbed by salaries and wages and by the purchase of local materials. In nearly all cases, the ratio of imported capital goods to gross domestic fixed investments had increased during the last few years. Thus, foreign trade was the most crucial factor in the process of industrializing the developing countries. Unless trade conditions were favourable, the industrialization programme would either be stunted at its outset or would lose momentum after a certain stage of development.

9. In that regard, the misapprehension existed that favourable trade conditions were required only in the early stages of industrialization. While it was, of course, possible at that stage to save some foreign exchange by establishing import-substituting industries in the field of consumer and even intermediate producers' goods, the scope for import substitution contracted as the country advanced industrially and a time came when import substitution was no longer effective as a means of saving foreign exchange for capital goods imports. When a country reached that stage before it was able to produce such capital goods domestically, serious imbalances could result and the process of industrialization might be jeopardized. The situation became particularly critical when export prospects were not favourable, as in the case, in particular, of commodity exports, which had been hampered by all kinds of cyclical and structural trends and natural and artificial barriers. It was to be hoped that the forthcoming international trade conference would be able to mitigate, if not reverse, those trends. However, commodity exports should not be the sole concern of the under-developed countries. It might be said of current trends that a more rapid rate of expansion in export earnings would depend in the long run upon the development of an export trade in manufactures. So far, the developing countries had not been very successful in that sector and their share of the world trade in manufactured products had steadily declined. On the other hand,

the industrialized countries had done little to improve the situation.

10. Those problems and all the other problems involved in the relationship between industrial development and international trade could very well be discussed by the Committee for Industrial Development. His delegation therefore favoured the inclusion in the Committee's programme of work of long-term studies on the processes of industrialization as related to the development of international trade. If it was true, as the World Economic Survey, 1961 suggested, that unfavourable trade conditions had been the most serious factor limiting industrialization, it would be impossible to prevent the Committee for Industrial Development from considering thoroughly all aspects of international trade which might have a bearing on industrial development. The Committee was not only competent to consider the subject but would actually be failing in its duty if it did not do so.

11. Some delegations had expressed the opinion that international trade was already being considered by several organs and would shortly be discussed exhaustively by the United Nations Conference on Trade and Development, and that duplication would inevitably arise if the Committee for Industrial Development entered that field as well. His delegation was convinced that the contrary would be the case. The problems of international trade would be considered by the Committee only in their relationship to industrialization and never in their general aspects. The emphasis would be not on trade but on industrialization. Other delegations had contended that the Committee for Industrial Development already had a very heavy programme and would be overburdened if it had now to deal with international trade. He reminded those delegations that the Committee was already concerned with trade since one of its projects dealt with measures likely to promote exports of industrial equipment to under-developed countries. The purpose of the draft resolution was simply to include in the Committee's programme of work further studies dealing with other aspects of trade which were related to industrial development. The draft was therefore not changing the nature of the Committee but simply instructing it to study more methodically all problems involved in the relationship between trade and industrial development. In the light of that clarification, his delegation hoped that the Second Committee would be able to adopt the draft resolution in its entirety.

12. Mr. KOCHUBEI (Ukrainian Soviet Socialist Republic) felt that the United Nations had adopted a realistic approach in directing its activities towards the industrialization of the developing countries, because no viable economy could be established without industrialization, nor could the road to progress and to higher levels of living be opened. The United Nations bodies dealing with industrialization should be resolutely enlarged, because the needs of the developing countries could not await the slow process of adapting existing machinery. The best solution would be for a United Nations organ to direct the process of industrialization, but that could not be done with any of the existing machinery. In the circumstances, he was convinced that the sponsors of the draft resolution had earnestly wished to serve the interests of the developing countries to the best of their ability; the Committee should therefore take a positive attitude, which could hardly be considered premature.

13. His delegation agreed with the Tunisian and Brazilian delegations that the operative paragraph of section I of the draft resolution did not prejudice the institutional issue and merely recommended that the Advisory Committee of Experts should consider the problem of industrial development in a wider context; in that regard, it was difficult to deny that the problem of natural and other resources was related to industrial development. That relationship could be grasped from a mere glance at the agenda of the second session of the Committee for Industrial Development (E/3600/Rev.1, para. 9). The suggestion that a single organization should be contemplated therefore seemed justified. His delegation was not in principle opposed to co-ordination but wondered whether it was not possible to ensure the closest possible co-ordination, which was exactly what was suggested in the draft resolution.

14. As far as section II of the draft resolution was concerned, it had been said that the Committee for Industrial Development should not concern itself with questions of international trade, but it could not be denied that the relationship between international trade and industrialization was of crucial importance. That was why the sponsors of the draft resolution were recommending that the Committee should make studies; it should be noted in that respect that the Committee was already concerned with international trade projects, such as, for example, an evaluation of the demand for capital equipment or machine tools and an analysis of fluctuations in supply and demand in respect of items required for the industrialization of the developing countries. No one had said that those studies should be undertaken by the Committee without the co-operation of other organs or institutions; on the contrary, such co-operation would be extremely valuable. In view of those considerations, his delegation believed that the draft resolution would help to strengthen the activities of the United Nations in the field of industrial development.

15. Mr. WOULBROUN (Belgium) said that he did not understand the reasons which had led the sponsors of the draft resolution to conceive of the idea of merging various activities in a single organization, since certain sections of the Secretariat were already specializing in well-defined fields, such as natural resources and water resources, and the sponsors of the draft resolution were precisely delegations which in other cases were calling for the establishment of entirely new specialized agencies.

16. As the representative of Australia had rightly said, the field of natural resources was broader than that of industrialization: thus the question of national parks dealt with by the Economic and Social Council, that of the protection of fauna and flora with which the Special Fund was concerned, and that of anti-erosion measures were all very far removed from the problem of industrialization. All those questions were certainly interrelated, and for that reason they were all dealt with together in one department of the Secretariat. He also associated himself with the criticisms which had been directed against section II of the draft resolution.

17. The CHAIRMAN suggested that the Committee should suspend its discussion of draft resolution A/C.2/L.649 and Add.1 so that the sponsors might engage in the necessary consultations, and should take up the draft resolution of the Commission of Per-

manent Sovereignty over Natural Resources (A/C.2/L.654) and the amendments thereto.

*It was so decided.*

### AGENDA ITEM 39

**Permanent sovereignty over natural resources (A/4905, A/5060, A/5225, A/AC.97/5/Rev.2, A/C.2/L.654 and Corr.1, E/3511, E/L.914, E/L.915, E/L.918, E/L.919, E/SR.1177-1179, E/SR.1181) (continued)**

#### CONSIDERATION OF THE DRAFT RESOLUTION OF THE COMMISSION ON PERMANENT SOVEREIGNTY OVER NATURAL RESOURCES (A/C.2/L.654 AND CORR.1)

18. The CHAIRMAN pointed out that the Committee had before it four proposals for amendments (A/C.2/L.655, A/C.2/L.668-670) to the draft resolution submitted by the Commission on Permanent Sovereignty over Natural Resources (A/C.2/L.654 and Corr.1).

19. Mr. FARHADI (Afghanistan) introduced the amendment (A/C.2/L.655) which his delegation proposed to paragraph 4 of the draft resolution. The amendment itself showed the importance which Afghanistan attached to that draft. His country was convinced that the Commission on Permanent Sovereignty over Natural Resources, of which it had been a member, had been a truly representative body in which the different points of view current in the General Assembly had found expression. In its work, the Commission had taken into consideration the various economic and legal realities of the world and the draft it had prepared therefore deserved acceptance.

20. It would be desirable, however, to change paragraph 4 of the draft, for while it was proper that the principle of nationalization and that of compensation should both be recognized, no attempt should be made to insist on a rigidly automatic procedure. Countries were driven to nationalization measures by economic difficulties; in some cases, therefore, an automatic compensation procedure might be very dangerous to their economy and to the economy of the world as a whole. For that reason, his delegation preferred to add that compensation would be paid "when and where appropriate". That would also make it easier to understand why the text went on to say that controversies might arise and that it was better in such cases to resort to national jurisdiction. In that connexion, in order to make it perfectly clear that the national jurisdiction in question was that of the country carrying out the nationalization and not that of the country of which the owner of the property in question was a national, he suggested that the words "the national jurisdiction of the country acting in exercise of its sovereignty" should be added at the end of the third sentence.

21. Since the fact that there were several amendments to that paragraph would certainly present procedural problems, the Secretariat should immediately prepare a working paper for delegations showing which amendments diverged the most in substance from the original draft resolution and the order in which they should subsequently be voted on.

22. Mr. UNWIN (United Kingdom) explained that his delegation's amendments (A/C.2/L.669) were based on two essential principles. Just as relations between individuals within a country and between individuals and the State should be based on respect for the rights of the individual but with due regard for the law, so

international relations should be based on respect for the sovereignty of independent governments and an equal regard for justice and fair administration of the law. Both of those principles were essential to the satisfactory conduct of international affairs and should be reflected in all instruments governing international relations. It was with those two ideas in mind that the General Assembly had set up the Commission on Permanent Sovereignty over Natural Resources, since it had expressly directed in operative paragraph 1 of its resolution 1314 (XIII) that "due regard shall be paid to the rights and duties of States under international law and to the importance of encouraging international co-operation in the economic development of under-developed countries". The text arrived at by that Commission was undoubtedly the result of much compromise and represented a creditable effort to achieve a proper balance between safeguarding the sovereign rights of peoples over their natural resources and the legitimate interests of those prepared to invest capital. Unfortunately, it did not adequately reflect the two principles on which the Commission's mandate had been based and it ought therefore to be improved in that respect.

23. Many delegations had pointed out the need for an adequate flow of public and private capital to the under-developed countries with a view to accelerating their economic expansion. In order for individuals and organizations with funds available for investment to be willing to invest them abroad, it was essential to convince them that their investments would enjoy treatment as good as they received in their own country—in conformity, certainly, with the sovereign rights of the country in which they were made, but also in conformity with the just interests of those providing the capital. They were not prepared to take certain risks unless they first knew what those risks were.

24. The first United Kingdom amendment was intended to complete the second preambular paragraph, which was in fact an abridged quotation from paragraph 5 of General Assembly resolution 1515 (XV). The second amendment was intended to give proper recognition to the spectacular growth of economic interdependence between States. The purpose of the third amendment was simply to express more clearly the idea which the Commission on Permanent Sovereignty over Natural Resources was trying to embody in its fourth preambular paragraph. The new preambular paragraph which his delegation proposed would take due account of the important contribution of private capital to economic development.

25. In its present form, paragraph 2 of the draft resolution could be interpreted to mean that a State might at any time be entitled to interfere with the rights acquired under an agreement on the grounds that certain activities of exploration, development and disposition of natural resources which it had authorized were no longer in conformity with the rules and conditions which it considered necessary or desirable. Since that was assuredly not the Commission's intention, his delegation proposed that the wording of the paragraph should be changed so as to bring out the need for observing any agreement which had been freely arrived at. The text of paragraph 3 should be strengthened in the same way, since the absence of any assurance that agreements freely arrived at would be observed could seriously hamper the economic development of the countries in question.

The text proposed for that purpose in no way interfered with the right of either party to an agreement to seek later modifications of it in the light of any radically altered circumstances. His delegation also proposed that the last sentence of paragraph 3 should be reworded, since it presented as normal, profit-sharing arrangements which in fact were rare, and affected only certain fields.

26. Lastly, paragraph 4 was unsatisfactory because it suggested that nationalization, expropriation and requisition were normal and frequent events; happily, that was not the case. Existing relations between sovereign States and foreign investors were good and it was desirable that they should remain so. Furthermore, that paragraph did not lay enough stress on the appropriateness of arbitration or of international adjudication in cases of disagreement on compensation. The text of the United Kingdom amendment was designed to remedy those defects.

27. Mr. ARKADYEV (Union of Soviet Socialist Republics), introducing his delegation's amendments (A/C.2/L.670), said that his country attached the greatest importance to the question of permanent sovereignty over natural resources, not only because it was an inalienable right of nations, closely linked to the right of self-determination, but also because it affected the economic development and, in the last analysis, the political advancement of the countries concerned. The problem, indeed, was whether the countries which had inherited a backward economy and pronounced economic dependence from their colonial past would be able to develop to the point of achieving complete independence. For them, it was of the greatest importance to strengthen their sovereignty over their natural resources, since that would enable them to lay the foundation of a sound independent national economy which would ensure the prosperity of their peoples. It was for that purpose that the Commission on Permanent Sovereignty over Natural Resources had been established; the Commission had reviewed the present situation at its three sessions and had examined a study of the Secretariat on the question (A/AC.97/5/Rev.2) which showed that in many cases the sovereign rights of a large number of States were flagrantly violated or restricted solely for the benefit of foreign companies. At the present stage in the debate, his delegation considered it pointless to dwell on facts which were perfectly well known, but, at a later stage, it might, if it deemed it necessary to do so, present actual figures showing how unsatisfactory the present situation was.

28. Unquestionably the Commission had seen the facts as they were and had not attempted to disguise them. It had tried to find remedies, and many of the recommendations made in its draft resolution stemmed from a sincere desire to strengthen the sovereignty of States over their natural resources. Some of the provisions, however, were lacking in logic and precision; all those which did not lead to a strengthening of sovereignty over natural resources should be amended or deleted. If that were not done, the United Nations would be embarking on a dangerous path which might lead to a limitation of the right of States to carry out nationalization according to their own laws—which would be a way of defending foreign monopolies. Interpreted in that manner, the draft resolution might end up by being invoked to justify flagrant violations of the right of peoples to sovereignty over their own resources. The Soviet Union delegation was putting

forward a number of amendments designed to eliminate any illogical or imprecise formulation and therefore any risk of harmful interpretation.

29. It had found it essential, first of all, to recall two important decisions of the General Assembly—in particular, resolution 626 (VII), a most important measure taken on the initiative of several Latin American countries. It also thought that in the fourth preambular paragraph of the draft resolution, it would be better to state clearly that international co-operation should rest on economic and financial agreements between the developed and the developing countries based on the principles of equality and of the right of peoples and nations to self-determination. A new preambular paragraph should also be added, clearly stating that the exercise and strengthening of the permanent sovereignty of States over their natural resources and wealth would strengthen their economic independence. If that principle were not expressed, one of the most important aspects of the problem, justifying its study by the Second Committee, would be left out. It was precisely because sovereignty over natural resources should enable States to ensure their own independent national development that it was being sought to strengthen that sovereignty. That consideration accordingly justified the addition proposed by the Soviet delegation to paragraph 1 of the draft.

30. Paragraph 3 of the draft had no direct connexion with recommendations for strengthening permanent sovereignty over natural resources. On the contrary, it seemed to state conditions under which bargaining for the limitation of sovereignty might take place. Sovereignty belonged to States and it was impossible to dispose of it from outside, even at the United Nations. Everyone knew how the activities of foreign companies exploiting natural resources undermined the sovereignty of nations, and it was not for the United Nations to defend the interests of those monopolies, which knew very well how to secure profits at the expense of the local populations. The question was particularly important at the present time, because it was to be expected that foreign companies still dominant in the numerous colonial territories which had just achieved political independence would seek to intensify their pressure there. The metropolitan countries had lost the administrative apparatus through which they had exercised their power, but they had replaced it by indirect control in the field of economics, finance or credit, often concealed under the name of "aid". It was inadmissible for the United Nations to encourage those attempts to consolidate the influence of monopolies, or even to appear to approve them. If certain under-developed countries seemed prepared to limit their own sovereign rights over their natural resources for the illusory reason of not scaring foreign capitalists, that was not an attitude which the United Nations should impose on other countries. On the contrary, the United Nations had been created to combat all violations of the sovereign rights of States, and all its actions should tend in that direction. It was particularly important that countries seeking, not yet with complete success, to free themselves from the grip of monopolies should feel that they had the support of the United Nations. In order, therefore, to avoid ambiguous formulae out of line with those countries' legitimate aspirations, paragraph 3 of the draft should be deleted.

31. Paragraph 4 of the draft should be completed by a reference to a right which all countries, and

particularly the Western countries, regarded as inalienable—the right freely to proceed to nationalization and expropriation, which had often been invoked since the First World War and had been written into a number of constitutions. Only thereafter should the grounds or reasons for those measures be stated. The second sentence of the paragraph must also be changed: compensation could not be paid "in accordance with international law", since international law provided for no compulsory payment of compensation. Experience showed that each country tackled that problem as it own interests dictated. Compensation was therefore not sanctioned by the rules of international law; nor was it justifiable on moral grounds, because it should in fact be paid by the investor, who had drawn enormous profits from the exploitation of natural resources. How, moreover, could one require from an economically weak country the compulsory payment of compensation when it often had heavy debts which, from lack of resources, it could not meet? Such an obligation might lead such countries to forgo nationalization, even though it was indispensable for them. Accordingly, any restriction on the right of nationalization was in fact a limitation of the principle of the developing countries' sovereignty over their natural resources. In order to ensure respect for that right, the Soviet Union delegation proposed the replacement of the second sentence of paragraph 4 by a clearer text.

32. The Soviet delegation also thought it necessary to insert a new paragraph, supporting the measures taken by States to strengthen their sovereignty and condemning acts aimed at hampering the exercise, defence and strengthening of that sovereignty. Lastly, the amendment to paragraph 6 was designed to show clearly that international co-operation should further the countries' independent national development and should be based upon respect for their sovereignty over their natural resources. If it were not governed by those principles, international co-operation would virtually be no more than disguised exploitation of resources at the expense of the welfare of the populations.

33. Since all the amendments in question were directed at strengthening the sovereign rights of peoples, the Soviet delegation hoped that they would be adopted by the Second Committee.

34. Mr. ALBEDA (Netherlands), whose country was a member of the Commission on Permanent Sovereignty over Natural Resources, said that it was evident, from the terms of the draft resolution, that its text constituted a balanced compromise between affirmation of the sovereign rights of national Governments over their natural resources and that of the desire to protect foreign interests according to the rules of international law. The draft, therefore, should be appreciated and welcomed by all the members of the Committee.

35. Three main elements deserved equal attention. The first was the sovereign rights of States over the natural resources within their territories; it was the economic expression of the general principle of self-determination. That principle should be accepted by every State and by its nationals who invested their capital in another country. The time when foreign investment could be the first step to foreign domination had ended. The second principle was the need for international economic co-operation. It was based on the fact that, in many cases, full use of the existing

natural resources for the benefit of all parties concerned was possible only if there was economic co-operation between sovereign nations. The third principle was that of strict adherence to the rules of international law and of the need for the consolidation and progressive development of those rules. That principle followed logically from the second one. If it was desired to eliminate the danger of foreign capital being the forerunner of foreign domination or of its being entirely at the mercy of the Government of its host country, strict adherence to the rules of international law was required.

36. Those principles made it clear that substantial study of the draft resolution was not strictly within the competence of the Second Committee, but rather within that of the International Law Commission. It would perhaps not be wise for the Committee to start a debate and endeavour to change the text of the existing draft, since that would reopen the discussions which had been held in the Commission on Permanent Sovereignty over Natural Resources and would risk upsetting the balance of the existing text. The Committee therefore had the choice between accepting the draft resolution as it stood, without amendment, or repeating the debates that had taken place in the Commission on Permanent Sovereignty over Natural Resources. The Netherlands delegation thought that the first alternative would be the best procedure for the Committee to adopt.

37. Mr. SCHWEITZER (Chile) recalled that his country, which had always been an ardent defender of the sovereignty of States over their natural wealth and resources, had taken part in the work of the Commission established under General Assembly resolution 1314 (XIII). Despite the voluminous preliminary study prepared by the Secretariat (A/AC.97/5), which had received both criticism and praise during the second session of the Commission on Permanent Sovereignty over Natural Resources, the nine members of the Commission had decided that the survey on the permanent sovereignty of peoples over their natural resources should be continued and had requested the Secretariat to provide fuller information in a revised study. His delegation had expounded ideas to serve as a basis for a draft resolution acceptable to the members of the Commission, but unfortunately his views had not been shared at that time. The representatives of the Soviet Union and the United States had, in fact, intimated to the representative of Chile that they did not wish the draft resolution to be submitted because it would give rise to a debate that would obstruct the work of the Commission, and the task entrusted to the Secretariat might perhaps not be completed. The Commission had therefore concluded its second session by requesting the Secretariat to revise the study it had prepared, with the result that consideration of the question had been carried over to the following year.

38. During the third session of the Commission, his delegation had been surprised to note that one of the delegations which had received a draft memorandum containing the basic ideas that Chile had wished the Commission to adopt, expressed a point of view that was almost identical with that of his own country. It was not from pride of authorship that his delegation had laid claim to the draft resolution which reproduced its own ideas and which the Commission had examined during that session, for in fact the



Commission had worked in harmony. It had interrupted its meetings and constituted itself into a working group which had prepared the text of a revised draft that the Commission had adopted by 8 votes to 1, that of the Soviet Union. The draft resolution—which the Committee now had before it—was not, however, out of line with the opinions of the Soviet Union delegation, for it contained ideas emanating from that delegation as well as from amendments submitted by the United Arab Republic, Afghanistan, the Netherlands, Sweden, the United States and the United Kingdom. The Philippine delegation had also made a valuable contribution in helping to reconcile apparently conflicting ideas.

39. The result of the work of the Commission on Permanent Sovereignty over Natural Resources had been a balanced compromise between divergent points of view. It could not have been otherwise, given the nature of the task assigned by the General Assembly to the Commission. That task had consisted essentially in determining the nature of the right of permanent sovereignty over natural resources, the manner in which that right should be exercised and what measures would be likely to strengthen it, and the rights and duties of States which should be taken into account according to international law. The draft resolution under study referred, on the latter point, to General Assembly resolution 1515 (XV). It also indicated the necessary manner of promoting international co-operation for the economic development of the under-developed countries, based on respect for the principles of equal rights and the right of peoples and nations to self-determination. To that end, the draft advocated the establishment, in advance, of economic and financial agreements, since without such agreements, countries that were insufficiently developed but were endowed with abundant natural resources would continue to suffer from the situation which it was being sought to terminate. He wished to recall all the points of the preamble of the draft resolution in order to stress that none of the amendments submitted was based on an omission on the part of the Commission in the preparation of the text. All the ideas expressed, in particular those of the Soviet Union, were embodied in the preamble.

40. Serious difficulties had arisen in the Commission of Permanent Sovereignty over Natural Resources in regard to the operative part. The Chilean delegation to the Commission had affirmed that it was first necessary to define the nature of the right to sovereignty over natural resources and the manner in which that right should be exercised. But its original draft had been subdivided into two parts, which had become paragraphs 1 and 2 of the present draft. Paragraph 1 incorporated an idea which the Chilean delegation had accepted with pleasure from the Soviet Union delegation. The latter delegation was now adding that that right should be exercised in the interest of the independent national development of the State concerned. As a practical matter, it should be recognized that before it achieved a certain stage of economic development, an under-developed country could not be independent in the broad sense of the term, since development depended on international co-operation. To contend that the right to permanent sovereignty over natural resources should be exercised in the interest of independent national development was to ignore realities and the potentialities of the developing countries. The independent development of those countries was impossible, and that was precisely their

basic difficulty. He was in no way seeking to minimize the importance of independence; he merely wished to show that a State could not attain to economic independence until it had the necessary human and material resources wherewith to exploit its own natural wealth.

41. No one had objected to the basic idea contained in paragraph 2 of the draft resolution. No problem arose in the event of prohibition, while paragraph 3 applied only in cases where authorization was granted. It provided that the capital imported and the earnings on that capital should be governed by the terms of the authorization, by the national legislation in force and by international law. The Soviet Union delegation was proposing to delete a paragraph which expressly affirmed the right of States to apply their national laws to the exploitation of their natural resources, because it discerned therein a form of submission to international consortiums. But that paragraph stipulated that the profits derived should be shared, in the proportions freely agreed upon in each case, between the investors and the recipient State, due care being taken to ensure that the sovereignty of that State over its natural wealth should not for any reason be impaired. Those provisions accordingly stressed the right of States to ownership of the natural wealth and resources which were exploited under their authority and in the profits from which they shared. That was, for example, what Venezuela had arranged for the exploitation of its oil. Consequently, any fear that the peoples might come under the domination of foreign companies and be hindered in their progress was illusory.

42. A further problem had to do with nationalization, expropriation and requisitioning. The basic idea of the draft was that the sovereign State, whatever agreements it had concluded, retained the right to proceed to nationalization, expropriation or requisitioning—which should not be the result of arbitrary measures, but should be based on legitimate grounds of public utility, security and the national interest. He was happy to note that the Soviet Union representative had raised no objection on that point. Those grounds were recognized as overriding individual or private interests. Nationalization, expropriation and requisitioning were based on cases prescribed by law. Individual interests could never claim precedence over, or even equality to, the national interest, which was the interest of the community. The draft resolution also mentioned appropriate compensation in the event of such measures, whether the owner was a national of the country or an alien. Compensation was to be paid in accordance with the rules in force in the State taking such measures in the exercise of its sovereignty and in accordance with international law.

43. Three types of ideas had been advanced. The first tended to insert in the draft resolution details which would be out of place. The second, by linking the payment of compensation to the question of adequacy, tended to restrict the possibilities of compensation. Thirdly, the Soviet Union delegation wished to delete the reference to international law in connexion with nationalization.

44. Delegations supporting the draft resolution had discussed in detail the question of compensation, in a spirit of harmony and co-operation. The ideas expressed by other delegations were already known; they had been debated at length in meetings which had led to the conclusion that a compromise was not possible if the idea of compensation were abandoned. The

Soviet Union representative had said that there was no concordance between the various national laws. That was true, but on the whole the laws of the various countries inclined to the principle of compensation. If a dispute arose on the subject of compensation, it should be settled by the national law. In Chile, the amount of compensation was determined by the courts. In other countries, it was fixed by administrative procedure. In every case, it would invariably be necessary to have recourse to national jurisdiction for the settlement of questions of compensation. The difficulties on that point had been narrowed in the Commission on Permanent Sovereignty over Natural Resources. The draft provided that, upon agreement by the parties concerned, settlement of the dispute might be made through arbitration or international adjudication. It was his opinion that that question had been satisfactory solved.

45. Paragraphs 5 and 6 of the draft placed the accent on international co-operation and the sovereign

equality of States. That idea, advanced by the Soviet Union, had been warmly welcomed. Finally, paragraphs 7 and 8 restated the obligations devolving upon States by reason of the principles of the United Nations Charter.

46. In his opinion, rarely had a commission of the General Assembly succeeded in producing a more carefully thought-out piece of work, in which complete flexibility had been displayed in regard to all trends. The resulting text was a balance between different conceptions, and it was important not to upset that balance. He therefore urged the members of the Committee to respond to the appeal of the Netherlands representative and adopt the draft resolution without amendment.

The meeting rose at 1.20 p.m.