



**C O N T E N T S**

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**Chairman:** Sir Douglas COPLAND (Australia).

**AGENDA ITEM 25**

**Economic development of under-developed countries (A/2686, A/2702) (continued):**

**(c) International flow of private capital for the economic development of under-developed countries (A/C.2/L.225, A/C.2/L.240, A/C.2/L.241) (continued)**

1. Mr. HEGDE (India) said that in most of the under-developed countries there was great need for foreign capital for development purposes. Hitherto, however, little of the international capital seeking investment had been made available to the under-developed countries. For example, the foreign assistance India had received in connexion with the implementation of its five-year plan, begun in 1950, had not been appreciable. That plan was a modest one designed, first of all, to satisfy the country's minimum needs. The next five-year plan would necessarily be more extensive, and the need for foreign financial aid would then be even greater than at present.

2. The Indian delegation could assert with confidence that a favourable climate for international investment existed in India. India's Government was stable and commanded the respect and confidence of the vast majority of the people. The civil service was efficient. The Indian economy had maintained optimum stability while recording remarkable progress. The private sector of the economy was very large and the Constitution provided that the State could not nationalize any property without paying proper compensation. No restriction was placed on the importation of equipment for new investment. Although the Government gave priority to certain investments in order to ensure the balanced development of the national economy, and desired the fullest possible Indian participation, the criteria used were not rigid and it was prepared to make any necessary adjustments in its programme. There were no restrictions on the repatriation of capital and profits and there was no discrimination against foreign capital. Double taxation represented a difficult question; in most cases, the capital-importing countries stood in

great need of money, and there was neither moral nor economic justification for denying them the right to tax income derived from investments. The Indian Government had recently authorized a number of tax relief measures, but the foreign investor could not obtain the expected benefit due to tax policy in his own country. That difficulty was gradually being solved to a limited extent by the conclusion of treaties with the countries concerned. It was hoped soon to come to an understanding with the Government of the United States of America.

3. Exchange, import and export controls were generally made necessary by the shortage of foreign exchange and would be eliminated by a greater flow of foreign capital and a freer flow of trade. It should be pointed out that the convertibility of sterling and of other important currencies would greatly help to facilitate international trade.

4. The Indian Government's policy with respect to foreign capital was reasonable and liberal. In a United States Department of Commerce publication entitled *Investment in India* it was stated that the Indian Government had not yet laid down general principles for the admission of foreign capital and preferred to judge each case on its merits, preference being given to capital for investment in those industries which the country urgently needed. Furthermore, the International Bank for Reconstruction and Development, which had carefully examined the economic structure of India, had concluded that the country had made progress towards its stability.

5. Despite the favourable climate for foreign investment, the flow of capital into India had not been encouraging. According to recent studies, 38 per cent of United States private investment abroad between 1946 and 1952 had gone to Latin America, 28 per cent to Canada, 17 per cent to Western Europe and its dependencies and 17 per cent to other areas. South-East Asia, with its large population, had received an insignificant amount.

6. It was becoming increasingly necessary that the industrialized countries come to the assistance of the under-developed countries. Apart from economic considerations based on the interdependence of the developed and the under-developed countries, such assistance was required for moral and political reasons; poverty necessarily led to instability in the countries where it occurred, and it was doubtful whether such instability could be confined to the limits of the countries concerned.

7. Economists had often argued that the international flow of private capital was determined by the laws of supply and demand. The argument had been proved to be fallacious. There was considerable scope for international action to accelerate the flow of private capital. In that connexion, the international finance corporation

would play an important part: it would serve as a centre for the mobilization and distribution of international capital. The Indian delegation had welcomed the statement of the Government of the United States to the effect that it was prepared to subscribe one-third of the capital required to establish the corporation. The corporation would render indubitable services to the under-developed countries. Governments, for their part, should assist in the formation of finance corporations at the national level to mobilize domestic capital and serve as agents and clearing-houses for the international finance corporation.

8. International action could also be taken to resolve such questions as double taxation, exchange regulations and export-import controls. Eventually an international commercial code might be evolved through the United Nations.

9. Mr. DAYVIERE (Uruguay) said the climate for foreign private investment in Uruguay was very favourable owing to the liberality of the existing financial, fiscal, social and political legislation and to the possibilities offered by Uruguay, which was anxious to stimulate its economic development. The law gave equal protection without distinction to anyone, whether Uruguayan or alien, who tried his luck in Uruguay. All inhabitants were equal before the law and everyone was free to engage in any occupation or trade not contrary to the interests of public order. There were no restrictions on the entry or repatriation of private capital or the transfer of profits.

10. Moreover, Uruguay enjoyed social and political stability based on a solid middle class and a strong legal system. The Constitution provided that no one could be dispossessed of his property except for reasons of public interest duly sanctioned by law and on payment of compensation. Foreign investors were sure of finding a favourable field for investments in Uruguay.

11. The Government had prepared a concrete programme of economic development with a view to raising the people's standard of living, and in order to give full effect to that programme it needed financial assistance from abroad. The Uruguayan delegation would therefore support any proposal that would encourage foreign capital investment and make it easier for private undertakings to draw on international sources of capital.

12. Mr. SAENZ (Mexico) said that the Mexican delegation had carefully examined Economic and Social Council resolution 512 B (XVII).

13. Mexico welcomed foreign private capital. As the President of the Republic had said on 1 September 1954 in his annual message to the Congress, the Mexican Government was attempting to establish and maintain the conditions essential for the balanced development of industry and for the general economic development of the country. In Mexico, there were no exchange controls and no obstacles to the entry or repatriation of foreign private capital, or to the remittance of earnings. Investments of foreign private capital enjoyed every necessary safeguard. As could be seen from the report entitled *The International Flow of Private Capital 1946-1952* (E/2531), direct United States private investment in Mexico had risen from \$286 million in May 1943 to \$415 million at the end of 1950, an increase of \$129 million. That fact showed that conditions in Mexico were sufficiently favourable to attract foreign private capital.

14. Nevertheless, although it was not subject to discrimination, foreign private capital did not receive privileged treatment. It was subject to the conditions laid down for domestic capital in the Mexican Constitution. In the light of its historical experience, Mexico would have to proceed with caution in connexion with anything that might involve a change in legislation which, in its case, would mean the amendment of the Constitution.

15. The Mexican delegation accordingly felt that the text of operative sub-paragraph 1 (a) of Economic and Social Council resolution 512 B (XVII) was too vague. It considered that the resolution should have stated first that foreign private capital investments neither could nor should claim special protection, second, that it was for the capital-importing countries to decide what measures were necessary to create a climate favourable to investment, and third, that the recommendation to capital-importing countries did not place them under any moral obligation to modify their fundamental economic policy, particularly when that policy was based on constitutional provisions.

16. The Mexican delegation did not propose to amend the text of the Economic and Social Council resolution. It would vote for the resolution as a whole, but would ask that operative sub-paragraph 1 (a) be put to the vote separately, and would abstain from voting on it.

17. Mr. RENOUF (Australia) said that his country welcomed foreign investment, provided that it was of a long-term character and was likely to contribute to the development of natural resources and industry. Australia was fundamentally a capital importer at the present time, but it had had a good deal of experience as a capital exporter. It had encountered no difficulties and considered that it was not hard to create conditions favourable to foreign investment so as to satisfy both capital-importing and capital-exporting countries on a basis of mutual respect. It was a pity that many countries had not succeeded in creating such conditions.

18. The Australian Government therefore approved of the United Nations' efforts to stimulate the flow of capital to the under-developed countries and the recommendations to those countries intended to assist them to establish conditions favourable to foreign investment. It was in that spirit that the Australian delegation had helped to draft Council resolution 512 B (XVII).

19. There were two particularly important points to be considered in connexion with the international flow of private capital. Firstly, private investment could be effective only as an addition to public investment, since in practice private capital could play only a supplementary role. Secondly, since it was up to the countries which required foreign funds to attract foreign investments, any initiative in that direction should be taken by the capital-importing countries.

20. The Australian delegation would vote for resolution 512 B (XVII), as it was very comprehensive, struck a fair balance between the points of view of capital-importing and capital-exporting countries and had been thoroughly considered by the Economic and Social Council before it had been adopted.

21. The Australian delegation wondered whether the Haitian draft resolution (A/C.2/L.225) and the Cuban amendments thereto (A/C.2/L.240) were really necessary and whether they added anything new to the Council resolution. There were several unsatisfactory

points about the Haitian draft resolution. It would be interesting, for instance, to know what international authority could accept responsibility for the difficult task of issuing the attestations referred to in the seventh paragraph of the preamble to the resolution. With regard to the next paragraph, there was a risk that the proposal regarding experts would raise further financial problems. It should be queried whether the Secretary-General could be requested to undertake the task mentioned in operative paragraph 1; it would be interesting to have the Secretariat's opinion on that point. It could also be queried what opinion the Bank could give if it was consulted. There seemed to be only one possible answer; countries wishing to be granted loans had to take steps to create a more favourable climate for foreign investment. The ideas embodied in operative sub-paragraph 1 (a) and 1 (c) of the Haitian draft resolution were contained in sub-paragraphs 1 (a) and 1 (c) of the Council resolution. Finally, the object of paragraph 1 of the Haitian and Cuban draft resolution would be achieved if the General Assembly adopted paragraph 6 of the Council resolution, which requested the Secretary-General to prepare annually a report, in which account should be taken of the discussions in the Council and of suggestions by Governments. The Haitian and Cuban delegations would perhaps be satisfied with a slight change in the wording of paragraph 6 of Council resolution 512 B (XVII), which would take their suggestions into account. The paragraph would read:

"In preparing this report account should be taken of the discussions and proposals on this subject in the Council and in the General Assembly and of suggestions which may be communicated by Governments . . ."

22. Mr. BUENO DO PRADO (Brazil) said that he regarded all the proposals in Economic and Social Council resolution 512 B (XVII) as sound and necessary and thought that, if put into effect, they would give satisfactory results. The benefits which the under-developed countries would undoubtedly derive from the creation of a favourable climate for direct investment could not be ignored.

23. Between 1920 and 1929, under-developed countries had depended on Government bonds issued to the public and on shares or debentures issued by their industrial or commercial companies to finance the exploitation of their natural wealth and to develop their economies. That type of investment, however, seemed to have disappeared since the war and to have given place to direct investment. Moreover, there was every reason to believe that that tendency would persist for some time to come. Private capital was attracted mainly to industry in the investing countries, especially to the extractive industries. So far it had made only an insignificant contribution to the economic development of the under-developed countries. Whatever steps the capital-importing countries might take to create a favourable climate for foreign investment, it was clear that results would not be immediate and indeed that they would not make themselves felt for a long period.

24. In the meantime it was necessary to ensure the financing of the economic development of under-developed countries. That was where international financial co-operation became necessary, as it was the only possible method of ensuring a steady increase of productivity and of balance of payments equilibrium. To

that end, it was essential to ensure a steady flow of capital, both public and private.

25. As private capital was insufficient, it was necessary to call upon public capital. Experience in financial assistance to under-developed countries had proved that public capital had to assume the essential role of preparing the ground and creating a suitable climate to enable private enterprise to do its work. The Brazilian delegation was convinced that that view was a valid one, and had supported the establishment of the special United Nations fund for economic development. In its opinion the under-developed countries most urgently required capital for investment in non-self-liquidating projects. Such projects would be financed by SUNFED. Such a programme would have a salutary effect on the policy of the International Bank for reconstruction and Development and of the United States Export-Import Bank, whose operations might well be rendered more flexible. Similarly, the proposed programme would be bound to have considerable influence on the political and administrative measures taken by Governments to implement the provisions of resolution 512 B (XVII).

26. The Brazilian Government favoured the establishment of SUNFED and of the international finance corporation, and would also support any draft resolution or any constructive suggestion to supplement the general financing machinery, public and private, on which international policy for financing economic development had to be based.

27. Mr. VILLAMIZAR (Colombia) said that in practice the problem was to increase the volume of capital exported and to ensure that such capital would serve the interests of the countries in which it was invested to an ever-increasing extent, so that the countries could regard it as a real factor in their economic progress. Means to achieve that goal would therefore have to be found.

28. The United Nations and the international agencies associated with it, as well as such bodies as the proposed special fund and the international finance corporation, could play a very important part, but there were other considerations. Capital-importing countries had to adopt a national policy calculated to attract foreign investment. It would also be necessary to remedy the disequilibria in the balance of payments position of the under-developed countries, which were largely due to fluctuations in the prices of raw materials. The under-developed countries also had to respect their undertakings to the capital-exporting countries scrupulously, for it was reasonable that each party concerned should benefit from the operation. In that connexion, he referred to a large aqueduct in his country whose construction had been financed entirely by foreign capital. The debt contracted had been paid off gradually in accordance with the undertakings made, and Colombia had experienced no difficulty whatsoever.

29. Finally, it was necessary to put an end to the situation in which under-developed countries were obliged to export their products in the form of raw materials or of semi-finished or raw products. In Colombia factories had been built with the assistance of public and private capital, for example, factories for the processing of petroleum by-products. Such measures brought benefits to Colombia and contributed to its

development and had yielded very satisfactory results. 30. Capital-exporting countries should use care in selecting the employees they sent abroad. If those representatives were not properly selected, there was likely to be friction. Similarly, it was necessary to avoid having different salary scales for foreign and local personnel.

31. Finally, private capital could not be permitted to interfere in the policies of the importing country, for that was likely to create difficulties for both the capital-exporting and the capital-importing countries. In that connexion it would be sufficient for both countries to lay down clearly-agreed conditions. The under-developed countries had to try to avoid any occasion for misunderstanding or dissatisfaction.

32. If positive results were to be gained from the flow of private capital to the under-developed countries, all the foregoing questions would have to be examined thoroughly and scientifically, and knowledge and experience would have to be pooled to find satisfactory solutions.

33. He would vote for the Haitian draft resolution.

34. Mr. HAKIMI (Afghanistan) stressed that private investment could play an important part in the economic development of under-developed countries, if the interests of capital-exporting and capital-importing countries were fully respected. In order to create a favourable climate for private investment, the Afghan Government had enacted new legislation in 1954 to accord foreign capital the same treatment as that enjoyed by local capital, to provide for the transfer of profits and to permit foreign employees to transfer up to seventy per cent of their wages or salaries. The law stipulated that foreign capital should preferably be invested in industry, mining, etc. There was no doubt that the law offered all the guarantees that foreign investors could wish for.

35. While foreign private capital could assist in the development of the under-developed countries, it should not be forgotten that an essential condition for their development was the stabilization of world prices, for it was only out of their export earnings that such countries could increase their resources and use them to improve their general situation.

36. Mr. AHMAD (Pakistan) pointed out that a free and continuous flow of foreign private capital had enabled many countries, including the United States, to become industrialized. Unfortunately, present conditions seemed to be increasingly unfavourable to the movement of capital. Every effort should therefore be made to eliminate obstacles to the flow of capital and to create a favourable climate for foreign investment. Resolution 512 B (XVII) of the Economic and Social Council contained sound recommendations to that effect.

37. For those reasons the Pakistan Government had decided to review its foreign investment policy and to make certain concessions to investors who were now permitted to repatriate their capital and transfer their profits in the same currency as the original investment. It had also been decided to guarantee repatriation of foreign investments made after 1 September 1954, including the initial capital investment, capital gains and re-invested profits. Foreign undertakings could hold up to sixty per cent of the capital of new industries, other than public utilities where the proportion which for-

eigners could be permitted to hold was determined in each individual case.

38. Stressing the drawbacks of double taxation, he stated that his Government was currently negotiating bilateral agreements on double taxation with a number of countries, including the United States and the United Kingdom.

39. His delegation hoped that the international finance corporation could be set up in the near future and that private capital would thus be enabled to play an increasingly important part. The establishment of the corporation would also help to create an atmosphere of confidence which was bound to have a favourable effect on international trade in general.

40. Mr. STANOVNIK (Yugoslavia) stated that at the seventeenth session of the Economic and Social Council the Yugoslav delegation had opposed the adoption of resolution 512 B (XVII), not for ideological reasons, but because a thorough analysis of the world economic situation had convinced it that the resolution should be rejected.

41. He wished to make two general comments before stating the Yugoslav Government's position on the draft resolutions before the Committee.

42. First, the manner in which the question of the international flow of private capital had been approached, both in the Economic and Social Council and at the present session of the General Assembly, appeared to indicate that the main concern of the United Nations was to encourage the investment abroad of available private capital. The Secretariat report entitled *The International Flow of Private Capital 1946-1952* showed that \$9,200 million of the \$11,000 million invested abroad between 1946 and 1952 had come from the United States; some \$8,000 million had represented direct investment; over \$6,000 million had consisted of re-invested profits. It was clear from those figures that the net amount of private investment was much lower than it was thought to be. Moreover, with reference to an earlier period, a study of British investments from 1870 to the present day by Sir Arthur Salter<sup>1</sup>, who had been one of the most eminent economists of the League of Nations, showed that the capital-exporting countries very soon reached the stage of being able to maintain their rate of investment abroad simply by re-investing profits. That point was borne out by the study by the Organization for European Economic Co-operation (OEEC)<sup>2</sup>, which contained an analysis of United States investment between 1914 and 1948. On the basis of those considerations his first conclusion was that the stimulation of foreign private investment to finance the economic development of the under-developed countries was not the promising solution it might appear to be at first sight.

43. Secondly, he felt that both the Economic and Social Council at its seventeenth session and the Committee at the present session had been inclined to discuss the question of the international flow of private capital in terms that were too general; in other words, they had tended to study its effects on the stability of the world economy instead of concentrating on its effects on the economic development of the under-developed countries. Several delegations, however, had

<sup>1</sup> *Foreign Investment*, Essays in International Finance, No. 12, February 1951, Princeton University, Princeton, N. J.

<sup>2</sup> *Report on International Investment*, Paris, 1950.

endeavoured to show that private capital did not tend to flow towards the under-developed countries and that the distribution of foreign investment between the different sectors of the economy was not always favourable to economic development. It could not be denied that the main inducement to investors to place capital abroad was to obtain the largest possible profit; furthermore the most profitable enterprises were not usually those which made the greatest contribution to economic development. In those circumstances it was natural that the Governments of countries which pursued a policy of economic development should sometimes be obliged to enact laws or issue regulations defending their national interests rather than the interests of foreign investors in the event of conflict between them. His second conclusion, therefore, was that, as the essential aim of international action on behalf of under-developed countries was to hasten their economic development and to assist them in diversifying their economies, the United Nations, in studying the international flow of private capital, should concentrate primarily on determining whether those two objectives could really be attained by recourse to private capital.

44. In the light of those remarks, he proposed to examine resolution 512 B (XVII) which the Economic and Social Council recommended to the General Assembly for adoption. First of all, the second paragraph of the preamble contained a general assertion which was not necessarily true: it could not be maintained that the international flow of private investment always contributed to the raising of living standards or to the diversification of agricultural and industrial production; too many examples could be quoted in refutation.

45. The wording of the fourth paragraph of the preamble seemed to him to represent too narrow an approach to the question. The converse of the idea presented was equally true: any increase in the rate of flow of private investment would help to stimulate international trade and facilitate the convertibility of currencies. Furthermore it should not be forgotten that the question of the convertibility of currencies often arose as a result of the disequilibrium of balances of payment, which an increase in the volume of investment would in most cases help to correct.

46. The fifth paragraph of the preamble was too categorical: he did not think that the measures which the Governments of under-developed countries were often obliged to take, not with the intent of hampering the movement of private capital but in order to protect the economic development of their territory, should be termed impediments. The reference to the removal of those impediments appeared to imply that Governments should renounce their economic development policies simply in order to improve the foreign investment climate.

47. That last observation applied even more to paragraph 1 of the operative part. When the Committee had discussed the establishment of SUNFED, the delegations of several industrialized countries had refused to accept a similar provision inviting their Governments to revise their policies. What they had been unable to do the representatives of the under-developed countries could not do either. It was hardly fitting to invite sovereign States to re-examine legislation over which they alone had jurisdiction. Moreover,

the under-developed countries, through their representatives to the United Nations, had adequately demonstrated their awareness of the need to improve the investment climate: it was for their Governments to take the necessary steps in so far as they deemed such steps compatible with the nation's higher interests.

48. He objected to the use of the expression "wherever necessary" in paragraph 1 of the operative part. The question arose as to who was to decide whether such re-examination was required. That could certainly not be left to the foreign investor, otherwise Governments would constantly be called upon to change their legislation or the conduct of their affairs.

49. With regard to the expression "unduly burdensome taxation", the under-developed countries, as more than one delegation had pointed out during the general debate, had to rely primarily on their own resources in developing their economies. If it was realized that, for example, in some Asian countries more than eighty per cent of the population paid no taxes because their incomes were below the taxable minimum, it would readily be understood that Governments were forced to tax the privileged classes and, *a fortiori*, foreign investors making large profits on their investments, at a rate which might appear to be unduly burdensome. Like national legislation, taxation fell within the realm of domestic jurisdiction, and the United Nations should not intervene in such matters.

50. He objected even more strongly to the recommendation that countries seeking to attract private capital should "avoid discrimination against foreign investments", which also appeared in paragraph 1 of the operative part. The adoption of such a recommendation would appear to imply that the under-developed countries were actually exercising such discrimination, whereas it was plain from the statements made so far that that was not the case. The Yugoslav delegation was therefore vigorously opposed to the retention of that provision.

51. The Economic and Social Council resolution did not go to the heart of the problem. The difficulties encountered with regard to foreign investment stemmed from the very structure of the world economy. There was, at the present time, a marked divergence between the interests of private investors and the interests of countries in a stage of development. Existing world economic conditions had to be changed; most of the ills of today would then automatically disappear. The Council resolution merely proposed a series of secondary measures which could have no radical effect, and therefore the Yugoslav delegation, which had voted against it in the Economic and Social Council, would do so again.

52. With regard to the draft resolution proposed by the Haitian delegation (A/C.2/L.225) he agreed with the Australian representative that there was nothing new in the Haitian proposal.

53. The Yugoslav delegation approved of the six-Power draft resolution (A/C.2/L.241) and would vote in its favour.

54. Mr. EL-TANAMLI (Egypt) mentioned that the Egyptian delegation had several times stated its Government's views on the investment of private capital. Those views were similar to those expressed by the Yugoslav representative and, more particularly, those which the Indian representative had advanced so eloquently in the course of the ninth annual meeting of

the International Bank for Reconstruction and Development.

55. In examining the question of the international flow of private capital the Committee should not lose sight of the fact that certain lasting changes had taken place in the international situation. First, the United States had supplanted the countries of Western Europe as the main exporter of private capital. Secondly, it was the under-developed countries which now sought to attract foreign capital, both public and private, to their territory. Lastly, the state played an ever greater part in financial matters in both the capital-exporting and the capital-importing countries.

56. Resolution 512 B (XVII) should be examined in the light of those considerations. There were certainly passages in that resolution which were not completely satisfactory to the Egyptian delegation, but it had voted for the measure as being likely to provide a useful basis for discussion in the General Assembly.

57. He wished to draw the Committee's attention to a few points which he regarded as essential. First, in the fourth preambular paragraph, which had been inserted on the Australian delegation's initiative, the Economic and Social Council had sought to convey the idea that freedom of international trade had a favourable effect on private investment. While concurring in that statement the Egyptian delegation would have preferred to go further and made the resolution state explicitly that the obstacles which the industrial countries continued to place in the path of raw material imports from under-developed countries were harmful to the latter.

58. With regard to the re-investment of profits, he had been very glad to note the United States representative's statement concerning the importance of that form of investment to economic development. He proposed that the Committee insert a new paragraph in the Economic and Social Council resolution, reproducing the text of that statement.

59. As soon as they had attained political independence the under-developed countries had lost part of their attraction as investment markets for foreign capital, since investment no longer took place in the privileged circumstances of the past. That was why increased importance appeared to attach to every measure of encouragement to foreign investors, including fiscal incentives. But the improvement of the foreign investment climate, on which the representatives of the industrial countries laid such stress, would not in itself be sufficient to change the situation. The existing institutions had not proved capable of adjustment to the changes which had taken place in the world economic situation. The task of the United Nations, therefore, was to make international arrangements under which private capital might continue to serve the development and economic advancement of the under-developed countries.

60. There were several draft resolutions on the subject before the Committee. The resolution submitted by the Economic and Social Council proposed modest measures which would primarily serve the purpose of publicity. But, however modest, those measures were the only ones which the Council, as the competent technical organ, had recommended for adoption by the General Assembly.

61. It was true that other proposals had been made. Thus at a meeting held in 1953 under the auspices of

the International Bank for Reconstruction and Development, the Egyptian Minister of Finance had suggested the establishment of a company of a completely new type to insure private capital against the risks of investment in the under-developed countries. At the seventeenth session of the Economic and Social Council the French representative, Mr. Arnengaud, had shown the same desire to find new solutions and had voiced an idea in the Economic Committee which he, the Egyptian representative, regarded as very valuable and would like to see introduced again, perhaps as an amendment to the draft resolution now under consideration.

62. In the last paragraph of its preamble, the Haitian draft resolution (A/C.2/L.225) contained an idea which was equally new and highly ingenious, and which deserved careful consideration: it would be interesting to learn whether an international institution could guarantee the soundness of an undertaking in the way private companies did at the national level. Private companies accepted the risk that they might be wrong; the price they paid for an error was the loss of public confidence and the possibility of failure. The same principle could not be applied to the international authority—whether it be the Secretary-General or the Bank—which would be called upon to provide the endorsement contemplated by the Haitian delegation. He hoped that the Haitian representative would elaborate that point.

63. There remained the six-Power draft resolution (A/C.2/L.241), which was concerned, among other things, with the question of double taxation. The studies envisaged by the six sponsors were of a political nature; the Egyptian delegation would have greatly preferred them to be undertaken by the Fiscal Commission rather than the Secretary-General. In that connexion it should be noted that the Economic and Social Council had not abolished the Fiscal Commission but had merely decided to suspend its operation for the time being; hence there was nothing to prevent the Council from inviting the Commission to resume its work if the General Assembly saw fit to do so.

64. Mr. A. P. MOROZOV (Union of Soviet Socialist Republics) pointed out that the USSR delegation had never ceased to state, in both the Economic and Social Council and the Committee, that in developing their economies the under-developed countries had to rely primarily on the utilization of their national resources and that foreign capital was at best only a supplementary source of finance, provided that it was supplied free of any terms leading to their political and economic subordination. The USSR delegation was convinced that its views reflected the vital interests of the under-developed countries.

65. In his statement at the 294th meeting he had pointed out that foreign capitalists sought not to further the interests of the under-developed countries, but to make maximum profits on their investments. Available statistics showed that the interest and profits transferred were considerably greater than the capital originally invested. He had also said that the only purpose of Economic and Social Council resolution 512 B (XVII) was to further the plans of the capital-exporting countries by improving the investment climate. Its sponsors had gone to the length of recommending, in the name of the General Assembly, that the Governments of the under-developed countries should subordinate their national policies, their legislation and their



administrative practices to the interests of exporters of capital. In the USSR view, the Council resolution constituted an intervention in the internal affairs of the under-developed countries and ran counter even to the

principles and purposes of the United Nations. The USSR delegation would therefore be unable to support it as a whole.

The meeting rose at 6 p.m.