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Chairman: Mr. Pierre FORTHOMME
(Belgium).

AGENDA ITEM 38

Accelerated flow of capital and technical assistance to the developing countries: reports of the Secretary-General (continued) (A/5732, A/5767, A/6085; E/3905 and Add.1, E/3917/Rev.1, E/4038 and Add.1, E/4079 and Add.1; A/C.2/L.822/Rev.1, L.825/Rev.1)

1. Mr. ABE (Japan) thanked the sponsors of the draft resolution on the financing of economic development (A/C.2/L.822/Rev.1) for having taken the welcome initiative of submitting a text aimed at promoting private investment which, while it could not, of course, replace assistance from public funds, could, if used intelligently, play a very useful part in furthering the progress of the developing countries.

2. Being convinced of the usefulness of private investment, Japan had voted for the recommendation A.IV.12 of the United Nations Conference on Trade and Development,^{1/} had taken national action to encourage private investment abroad (financial assistance to investors, investment guaranty system, tax exemptions, the conclusion of commercial treaties whose provisions guaranteed private investments), and had signed the Convention on the Settlement of Investment Disputes between States and Nationals of other States.

3. The Secretary-General's report had already provided valuable information on the efforts made by all countries to promote the flow of capital and assistance to the developing countries, and the Japanese delegation agreed with the sponsors that those studies should be continued. The draft resolution contained several constructive proposals and his delegation would be happy to support it.

4. Japan supported the principle of the other draft resolution before the Committee (A/C.2/L.825/Rev.1), because, while still an importer of capital and while providing financial assistance to other countries was a heavy burden for its budgetary resources, it endeavoured to increase the volume of such assistance

and make its terms more flexible. Japan, like many other countries, had not, however, been able to support recommendation A.IV.4 of the Conference, certain provisions of which it had found somewhat unrealistic. He therefore thought that the sponsors would make their text much more generally acceptable if they replaced, in the preamble and operative part, the references to that recommendation by references to recommendation A.IV.1, which, while it pursued the same objectives, was more general and which had been adopted without opposition at Geneva. He hoped that the sponsors could take his observation into account, because the unanimous adoption of a moderate text seemed to him more effective than the adoption of a text which went further but which was supported by a smaller number of delegations.

5. In addition, operative paragraph 4 reproduced the beginning of paragraph 1 of the recommendation A.IV.5 of the Conference, but with the word "and" instead of the expression "and/or". That slight change altered the meaning of a text which had been the outcome of lengthy negotiations, by limiting the choice of the organs concerned without giving due consideration to the danger of duplication of work and to the delicate nature of such a review. He therefore proposed that the sponsors should restore the exact text of the beginning of paragraph 1 of the recommendation of the Conference.

6. Mr. NEDIVI (Israel) congratulated the sponsors of the two draft resolutions, especially the representatives of the United Republic of Tanzania and India, who had introduced them very competently. The draft resolution A/C.2/L.822/Rev.1 indicated the solution to the problem it raised by referring to the recommendation A.IV.12 of the Conference, which was very wise because the flow of private capital necessarily depended on a certain psychological atmosphere and since no international or national injunction could therefore prevent it from being influenced by the various aspects of investment policies.

7. The same was not quite true of the draft resolution A/C.2/L.825/Rev.1 which merely stated objectives without indicating the action to be taken. However, the answer could easily be found in the recommendations A.IV.11 and A.IV.18 of the United Nations Conference on Trade and Development, which dealt respectively with an interest equalization fund and supplementary financial measures. In addition, besides the measures advocated in those two recommendations, encouragement should be given to the preparation of any plan designed to promote the flow of capital. Practical solutions could obviously be set forth in another draft resolution, but they could just as well appear in the draft under consideration in a new paragraph to be

^{1/} See Proceedings of the United Nations Conference on Trade and Development, volume I: Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).

inserted between operative paragraphs 4 and 5, reading as follows:

"Invites the Trade and Development Board to expedite the consideration of the Bank reports on the proposals contained in recommendations A.IV.11 and A.IV.18 of the United Nations Conference on Trade and Development as well as the consideration of any other specific plans designed to promote the flow of capital to developing countries;"

8. His delegation was offering that suggestion because it felt that the appeals addressed to the Governments of the developed and developing countries should be accompanied by an equally strong appeal to the Trade and Development Board. That appeal was by no means a criticism of the Board which was just beginning its work and whose efforts should be encouraged by the Committee.

9. Mr. NOURI (Iraq) said that his delegation had co-sponsored draft resolution A/C.2/L.825/Rev.1 because it believed that the inadequacy of the developing countries' export earnings could be partly offset by the flow of foreign capital to those countries, a flow which was therefore essential for their development.

10. Until those countries could develop their trade, it was for the economically developed countries to compensate, by contributing capital, for the deterioration in the terms of trade by striving to achieve the target of 1 per cent set in section III of the recommendation A.IV.2 of the Conference, on the understanding that the 1 per cent referred to their gross national product.

11. The draft resolution did not mention bilateral assistance, despite the important role which it could play, because that form of assistance involved certain restrictions which meant that multilateral assistance was generally preferred.

12. Mr. SAHLOUL (Sudan) said that one of the important aspects of foreign investment was the fact that some developing countries considered the problem of economic development much more realistically than dogmatically. Their ideal was a mixed economy in which both public and private sectors would pool their efforts, the former endeavouring to create conditions attractive to the latter's capital. Nevertheless, despite liberal legislative measures and the conclusion of bilateral agreements providing guarantees for investors, foreign capital had continued to flow to countries whose economies and infrastructures were sufficiently developed to ensure quick profits for such investment. The mining industries financed in some countries by foreign capital might have whetted the insatiable appetite for high profits, but it was no use to conceal the fact that, if the problem of underdevelopment was to be tackled seriously, the financial world must set aside those criteria of the past and adopt a more positive attitude based on the principle of equity. Notwithstanding the sometimes successful efforts of the developing countries to obtain capital provided by Governments to Governments on favourable terms, most of the time those countries were unable to obtain the necessary capital except on purely commercial terms, which made the burden of servicing external debts so heavy that the flow of capital actually tended to bypass the developing coun-

tries. Although they did their best within the limits of their own regulations, the international finance organizations could not solve the problem, and the developing countries' efforts to establish a capital development fund always met with obstinate resistance from the developed countries.

13. Following the resolutions of the General Assembly and the Economic and Social Council, which had laid down the guidelines for the Secretary-General's studies on the flow of capital and assistance to the developing countries, and the recommendations of the United Nations Conference on Trade and Development which had specified the objectives to be achieved, the conditions of assistance and the difficulties to be overcome, draft resolution A/C.2/L.825/Rev.1 was designed to ensure that all those aspects were combined in the studies requested of the Secretary-General. His delegation hoped that the Committee, understanding the problems confronting the developing countries, would be able to adopt it unanimously.

14. Mr. MAGOMBE (United Republic of Tanzania) said that his delegation supported draft resolution A/C.2/L.825/Rev.1 and would like to become a co-sponsor.

15. With regard to the other draft resolution (A/C.2/L.822/Rev.1), the representative of the United Arab Republic had suggested some constructive amendments to its sponsors, but because of the time which would have been needed to consider them in detail he had agreed not to submit them as a formal proposal.

16. Mr. RENAUD (France) thanked the sponsors of draft resolution A/C.2/L.822/Rev.1 for taking his remarks into account and inserting a paragraph in the preamble referring to Conference recommendation A.IV.2. That action would assist his delegation in voting for the draft.

17. With regard to operative paragraph 2, his delegation interpreted the words "relevant regulations", which had been included at the request of the Mexican representative, as relating particularly to the development plans of countries importing capital. It might be useful to make that point clear by inserting at the end of the paragraph the words "particularly those arising from its development plan". If there was any objection at all to that amendment, his delegation would not press it and would be satisfied if its interpretation was noted for the record.

18. As to draft resolution A/C.2/L.825/Rev.1, his delegation was in a more difficult position. While it was prepared to approve the reference to Conference recommendation A.IV.2, the same did not apply to recommendations A.IV.4 and A.IV.5, on which it had abstained at Geneva. As his delegation's position had not changed since that time, he would be unable to vote for the draft resolution in its present form. In addition, he would have to request a separate vote on the passages in question so that his delegation could make its stand clear.

19. Mr. GALLARDO MORENO (Mexico) said that the French representative's interpretation was in keeping with the text of the amendment which the Mexican delegation had proposed to the original version of the draft resolution (A/C.2/L.822) but

which had not been reproduced exactly in the revised version. There seemed, however, to be no reason why the text suggested by the French delegation should not be added to operative paragraph 2.

20. Mr. Saad KHALIL (United Arab Republic) said that although, in order not to hold up the Committee's work, he had decided not to press that the amendments which he had suggested at the previous meeting be inserted in the revised draft resolution of the three Powers (A/C.2/L.822/Rev.1), that did not mean that his delegation approved the draft resolution in its present form. He therefore requested the Committee to take note of those suggestions which applied to the original text of the draft (A/C.2/L.822). In the second preambular paragraph, the words "the recommendations" were to be replaced by the words "part D in the recommendations", and the following words were to be inserted at the end of the paragraph: "which recognizes *inter alia* the full national sovereignty over foreign investments". In the third preambular paragraph, the words "with interest" were to be deleted. In the fourth preambular paragraph, the word "Reaffirming" was to be replaced by the word "Considering", and in the first line the words "may contribute" were to be retained. Operative paragraph 1, which was an unnecessary repetition was to be deleted. Finally, operative paragraphs 2 and 3 were to be replaced by the following text:

"Calls upon the Governments of capital-exporting developed countries to avoid measures preventing or limiting the flow of capital from such countries to developing countries and to take all appropriate steps to encourage the flow of private investments to developing countries such as tax exemption or reduction;

"Requests the Secretary-General to take into full account, in preparing his further studies on the promotion of the international flow of private capital, the following topics:

"(a) The possibilities of financing the usual fields of activities of private foreign capital which are mainly natural resources exploitation (in particular: plantations and raw materials) from the country's own national resources, and the possibilities of diverting private foreign capital to the field of industrial investments;

"(b) The levels of dividends and profits of private foreign investments, as well as their transfer outside the developing countries, and how far these levels and transfers correspond to the general economic conditions prevailing in the latter;"

21. His delegation would abstain in the vote on the draft resolution A/C.2/L.822/Rev.1.

22. Mr. MAKEEV (Union of Soviet Socialist Republics) said that a serious and interesting discussion had been held on draft resolutions A/C.2/L.822/Rev.1 and A/C.2/L.825/Rev.1. However, his delegation had hoped that the sponsors of draft resolution A/C.2/L.822/Rev.1 would have taken account of the comments which had been made by the representatives of the United Arab Republic, Hungary and the Byelorussian SSR. Unfortunately, except for the Mexican amendment to operative paragraph 2, which did not

improve it radically, the draft resolution had not been changed at all. That being so, it was hardly surprising that a number of representatives of the developing countries had stated that they would not vote for it.

23. Indeed, draft resolution A/C.2/L.822/Rev.1 made no mention of the need to safeguard the sovereignty and economic independence of developing countries in which private capital was invested. In that respect, it was, if anything, a step backwards in relation to a number of earlier decisions of the General Assembly and other United Nations organs. The reference to those decisions in the preamble was not enough, for the relevant provisions of those resolutions which corresponded to the interests of the developing countries might well have been recalled. His delegation therefore proposed that at the end of the first preambular paragraph the following words should be added: "in particular, operative paragraph 2 (b) of the latter resolution calling upon States to pursue policies designed to ensure to the developing countries an equitable share of earnings from the extraction and marketing of their natural resources by foreign capital, in accordance with the generally accepted reasonable earnings on invested capital".

24. His delegation supported the amendments proposed by the representative of the United Arab Republic and believed that it was not enough simply to refer, as did the third preambular paragraph, to the recommendation A.IV.12 of the United Nations Conference on Trade and Development without explaining their scope and significance, that is to say, the need to safeguard the sovereignty of the developing countries.

25. The fifth preambular paragraph left the way open for private capital to enter the developing countries without any conditions or reservations. That amounted to a feigned ignorance of the fact that in practice the export of such capital was governed by the law of maximum profit. It would therefore be appropriate for the following text to be inserted at the end of that paragraph: "in the event that such investment and any aid to the developing countries were provided on advantageous and acceptable terms and without imposing any economic, political or military conditions, and that they were aimed at helping those countries to implement their plans for the creation and development of an independent national economy".

26. With regard to operative paragraph 2. and bearing in mind the sponsors' refusal to take account of the amendments proposed by the United Arab Republic and the inadequacy of the Mexican amendment, his delegation proposed the addition of the following words at the end of that paragraph: "and the need for the public authorities in the developing countries concerned to control the activity of foreign investors and subordinate it to requirements for the creation of an independent national economy in those countries".

27. His delegation's comments on draft resolution A/C.2/L.822/Rev.1 applied on the whole to draft resolution A/C.2/L.825/Rev.1 as well, which was based on the recommendation, at once unjust and unrealistic, that each economically advanced country should endeavour to supply financial resources to the developing countries of a minimum net amount ap-

proaching as nearly as possible to 1 per cent of its national income. In that regard, his delegation would like to recall that not all the developed countries were equally responsible for the present situation of the developing countries, which was the result of long colonial rule and the more recent application of neo-colonialist methods.

28. Mr. D'ASPREMONT-LYNDEN (Belgium) said that his delegation shared the feelings by which the sponsors of draft resolutions A/C.2/L.822/Rev.1 and A/C.2/L.825/Rev.1 had been guided. It was concerned, just as they were, about the reduction in the flow of capital to the developing countries, since it was convinced that those countries must have adequate resources for financing their economic expansion. His delegation was not insensitive, however, to what the Under-Secretary for Economic and Social Affairs had called in his statement before the Committee (955th meeting), a certain disenchantment on the part of legislators towards international assistance by Governments, and it believed that an increase in the international flow of private capital to the developing countries might well offset the inadequacy of international public assistance.

29. Draft resolution A/C.2/L.822/Rev.1 was acceptable to his delegation. It was glad that operative paragraph 1 had been amended and it would vote for the draft resolution.

30. His delegation also supported the aims of draft resolution A/C.2/L.825/Rev.1 but had reservations about some of the terms and conditions referred to and particularly about the reference to recommendation A.IV.4 of the United Nations Conference on Trade and Development on the conditions for financing. At the Geneva Conference, Belgium had had to vote against that recommendation. His delegation also regretted that reference was made to recommendation A.IV.5, on which it had abstained. The problems raised by both those recommendations were not yet ripe for consideration. What was more, they were to be considered in the near future by the Committee on Invisibles and Financing related to Trade of the Trade and Development Board. His delegation would therefore have to abstain on that draft resolution unless it was amended.

31. Mr. DELGADO (Senegal) pointed out that his delegation had, in its general statement, already expressed its concern about the stagnation in the flow of capital to the developing countries and had stressed the urgent need to take much more radical steps to improve the situation.

32. His delegation had said at that time that the international community should seek to devise new terms of financing and that transfers of capital should be made in the form of loans at interest rates not exceeding 3 per cent and for periods of at least twenty years. It was regrettable that the recommendations adopted by the United Nations Conference on Trade and Development and, in particular, the objective set out in recommendation A.IV.2 had not yet been applied.

33. In that spirit, his delegation whole-heartedly supported draft resolution A/C.2/L.825/Rev.1, which stressed all the points to which the Conference and the

World Bank had drawn attention or which had been the subject of recommendations by the Development Assistance Committee of OECD. His delegation would have been happy to co-sponsor that draft resolution if it had been able to study the original text more closely. It considered, however, that the sponsors should have mentioned the Horowitz Proposal (E/CONF.46/C.3/2), and the draft recommendation submitted to the Conference by Senegal on the establishment of an interest rebate fund (E/CONF.46/L.14 and Rev.1). Those proposals might, however, be included in a more general draft resolution on assistance to the developing countries.

34. With regard to the aims of draft resolution A/C.2/L.822/Rev.1, he wished to point out that his country was drawing on private capital in its first four-year development plan and that the second plan made provision for the participation of private capital in partnership with public capital in semi-public companies. His delegation therefore welcomed the ideas expressed in that draft resolution, since the usefulness of private capital was indisputable. The scope of the draft resolution should, however, be extended by, for example, utilizing the much larger framework of draft resolution A/C.2/L.825/Rev.1. A place should also be given to certain justifiable apprehensions which had been expressed concerning the legal framework within which foreign private investment should be carried out. The only satisfactory solution was, after all, a workable system of partnership between public and private capital. His delegation would support draft resolution A/C.2/L.822/Rev.1, provided the suggestions made by certain delegations were adopted.

35. Mr. PETERS (Dahomey) said that he wished to explain the views of the sponsors of draft resolution A/C.2/L.822/Rev.1 on the various amendments which had been proposed. The proposal of the representative of France that there should be a reference to national development plans at the end of operative paragraph 2 was pertinent but unduly restrictive, since the laws and regulations in question did not relate solely to development plans. In the final preambular paragraph, the wording "may contribute" was preferable to "would contribute", since it left the way open for other possibilities.

36. Although the oral amendments proposed by the representative of the United Arab Republic undoubtedly reflected justifiable apprehensions, many of them had already been envisaged by the provisions of the draft resolution. The reference to Conference recommendation A.IV.12, for instance, would include the provisions of part D, paragraph 6, which recommended that "foreign private investment, based upon respect for the sovereignty of the host country, should co-operate with local initiative and capital, rely as far as possible on existing resources in developing countries..."^{2/} and so on. The sponsors fully understood the concern expressed by some delegations and would assure them that they themselves had learnt a lesson from the setbacks they had encountered in connexion with private capital from the developed countries. Nevertheless, the developing countries continued

^{2/} *Ibid.*, p. 49.

to recognize the important contribution which such capital made to their economic expansion, and draft resolution A/C.2/L.822/Rev.1 should be viewed in that light.

37. With regard to the observations made by the representative of the USSR, the sponsors had seen no point in quoting the relevant provisions of General Assembly resolutions 1318 B (XIII) and 1710 (XVI) or those of recommendation A.IV.12 of the Conference, since those provisions could readily be consulted. He assured the USSR representative that the sponsors had kept the need to safeguard the principle of the sovereignty of States in mind. In that regard, they could profit by the experience of the USSR and other countries which had faced the same problems.

38. Mr. WHYTE (United Kingdom) congratulated the sponsors of draft resolution A/C.2/L.822/Rev.1 on having dealt so brilliantly with all the criticisms made of their text.

39. The remarks made in introducing draft resolution A/C.2/L.825/Rev.1 had, generally speaking, satisfied his delegation. It felt, on the other hand, that the text, as a whole, lacked balance, since it seemed to imply that nothing had been done since the adoption of the recommendations of the Conference. The United Kingdom, however, had taken steps to apply them by extending loan repayment periods and granting a number of interest-free loans. His delegation proposed that that omission should be repaired by inserting after the fifth preambular paragraph a new paragraph reproducing the terms of the final preambular paragraph of Economic and Social Council resolution 1088 A (XXXIX) and reading as follows: "Welcoming the steps which have already been taken by certain countries to ease the terms of lending".

40. His delegation supported the suggestion by the representative of Japan that the references in the third preambular paragraph and in operative paragraph 3 to recommendation A.IV.4 of the Conference should be replaced by a reference to recommendation A.IV.1. All the members of the Committee could support the provisions of recommendation A.IV.1. The United Kingdom delegation, however, would have to vote against the reference to recommendation A.IV.4 and, to its great regret, would be unable to support the draft resolution as a whole if that reference was retained. His delegation further proposed that the third preambular paragraph should end with the words "credit to developing countries". It likewise supported the Japanese representative's suggestion that operative paragraph 4 should be amended to bring it into line with the recommendations in recommendation A.IV.5 of the Conference.

41. With regard to the Israel representative's proposal for inviting the Trade and Development Board to expedite the consideration of the International Bank's reports on the proposals contained in recommendations A.IV.11 and A.IV.18, the United Kingdom delegation would point out that it was the Committee on Invisibles and Financing related to Trade and not the Trade and Development Board which was initially responsible for considering those reports. His delegation had doubts about the timeliness of that suggestion

in view of the fact that the report mentioned in recommendation A.IV.18 was not yet ready and might not be available for the forthcoming meeting of the Committee on Invisibles and Financing related to Trade. In any event, it did not seem reasonable to request the Trade and Development Board to expedite the consideration of all and any other proposals on the financing of economic development, irrespective of whether the proposals were sound or unsound.

42. If the sponsors of draft resolution A/C.2/L.825/Rev.1 agreed to amend the text as had just been suggested, his delegation would be glad to support it.

43. In its general statement, the United Kingdom delegation had mentioned the appearance of the profit-making motive in certain countries of Eastern Europe. However, the discussion which had just taken place made it quite clear that those countries did not yet understand the role of private capital in economic development.

44. Mr. GALLARDO MORENO (Mexico) thought that the questions raised in draft resolutions A/C.2/L.822/Rev.1 and A/C.2/L.825/Rev.1 were probably among the most important on the Committee's agenda. The debate on them had therefore not been in vain. It would be desirable for the delegations which had submitted amendments to consult the sponsors of the two drafts and come to an agreement on what provisions were likely to win majority approval.

45. The phrase added to paragraph 2 of the draft resolution A/C.2/L.822/Rev.1 at Mexico's request covered principles Mexico considered very important, especially that of sovereignty. The Mexican Government in fact stood by the basic principle that private foreign investment should not be given preferential treatment over national capital. Mexico's addition to paragraph 2 indeed expressed the desire to protect the concept of sovereignty, a point on which he would like to reassure the representatives of France, the United Arab Republic and the Soviet Union.

46. Mr. BRONNIKOV (Byelorussian Soviet Socialist Republic) emphasized that the purpose of the amendments to draft resolution A/C.2/L.822/Rev.1 was to improve the text and make it more realistic; attraction of private foreign capital to the developing countries should not be the sole aim. Care should also be taken to see to it that such investment was really of benefit to the developing countries. The Byelorussian delegation had drawn the sponsors' attention (996th meeting) to the need to add to operative paragraph 3 a provision inviting the Secretary-General to study the conditions under which foreign companies operated in the developing countries and means of ensuring that those companies turned a greater share of their profits over to the Governments of those countries. The proposal was not new and had been the subject of a draft resolution (A/C.2/L.392) which the Byelorussian SSR had submitted to the General Assembly at its thirteenth session. Although the Assembly had not then acted on the proposal, the Second Committee's report (A/4054 and Add.1) on agenda item 28 had none the less stated that it should be taken into account in the preparation of later decisions. The provision was all the more important because it echoed paragraph 2 (b) of General

Assembly resolution 1710 (XVI). The relevant Secretariat documents, however, and particularly the report of the Secretary-General on the measurement of the flow of long-term capital and official donations to developing countries (A/5732), did not seem to have taken notice of it.

47. Mr. NEDIVI (Israel) thanked the United Kingdom representative for his comments on the Israel delegation's amendment. He pointed out that the Trade and Development Board would itself lay down the methods of considering the World Bank's reports. Moreover, a request to the Board to study specific plans for encouraging the flow of capital to the developing countries could not but prompt the preparation of such plans.

48. Mr. RAMACHANDRAN (India) understood why some countries hesitated to accept the two draft resolutions as a whole. As there seemed, however, to be a large measure of agreement in the Committee, the proposed amendments should be carefully considered with a view to obtaining the support of as many delegations as possible.

49. Mr. RENAUD (France) withdrew his delegation's amendment in order to facilitate the debate.

50. Mr. DELGADO (Senegal) proposed, on behalf of his delegation, that the following words: "and to continue study of the proposal contained in recommendation A.IV.15 of the same document" should be inserted at the end of paragraph 4 of draft resolution A/C.2/L.825/Rev.1.

The meeting rose at 12.55 p.m.