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Chairman: Mr. Pierre FORTHOMME
(Belgium).

AGENDA ITEM 41

The role of the United Nations in training national technical personnel for the accelerated industrialization of the developing countries (*continued*) (A/6093; E/3901 and Add.1 and 2; A/C.2/L.818 and Add.1 and 2)

1. Mr. BOIKO (Ukrainian Soviet Socialist Republic) said that he and the other sponsors of the draft resolution (A/C.2/L.818 and Add.1 and 2), in so far as he had been able to consult them, were prepared to accept the suggestions made at the 993rd meeting by the Australian representative.
2. The sponsors of the draft accordingly agreed that the end of operative paragraph 2 should be amended to read: "undertaken within the framework of the United Nations technical assistance programme". On the other hand, the English phrase "Expresses its satisfaction" at the beginning of the same paragraph did not correspond exactly to the Russian text and seemed to suggest that the Centre's activities should not be continued. In the same paragraph, the sponsors agreed to include a mention of the specialized agencies and IAEA but they had found nothing in the documents before the Committee to indicate that since the adoption of General Assembly resolution 1824 (XVII), those bodies had pursued activities of the kind dealt with in the paragraph; the Australian representative might perhaps explain the reasons for his amendment. Also in paragraph 2, he stressed that the Centre generally referred to "workshops" and "in-plant training" and not to "advanced training courses". The amendment proposed to paragraph 4 was a simple drafting matter and did not affect the original text.
3. With regard to the transposition of paragraphs 3 and 4, the sponsors of the draft resolution were prepared to agree and saw its logic, but nevertheless they

wished to emphasize that in their view the Centre should continue and expand the activities referred to in both paragraph 2 and paragraph 4, taking into account the comments and suggestions to be transmitted to the Secretary-General in accordance with paragraph 3. It was therefore in the light of that interpretation that the sponsors agreed to the transposition of the two paragraphs concerned.

4. Mr. INGRAM (Australia) thanked the Ukrainian representative for the comments which he had just made on the amendments submitted orally by the Australian delegation. The Ukrainian representative seemed to be prepared to accept all those amendments except the reference in operative paragraph 2 to the specialized agencies and IAEA, about which he had some reservations. The Australian delegation wished to explain that the proposed addition had been purely a matter of courtesy. The idea had been to make clear that the General Assembly was grateful for all the activities undertaken by all United Nations bodies in the training of national technical personnel for industrialization. Moreover, at the 993rd meeting, the representative of ILO had described its work for that purpose. He hoped that the Ukrainian representative would take those explanations into account; however, his delegation did not attach undue importance to that amendment.

5. Mr. BACKES (Austria) recalled that his delegation had become a co-sponsor of the draft resolution. His country could make a considerable contribution to the training of national technical personnel in universities; the proportion of foreign students enrolled in Austrian universities was the highest in the world. Austria took a keen interest in the utilization of human resources and hence was also one of the sponsors of the draft resolution A/C.2/L.820 presented to the previous meeting in regard to agenda item 12. The lessons drawn from the restoration of the Austrian economy had shown the vital importance of the training of personnel at all levels. He therefore welcomed the fact that the Centre for Industrial Development, under the stimulus of the Commissioner for Industrial Development, had given the question a prominent place in programming its activities. His Government fully supported efforts in that direction and hoped that the draft resolution before the Committee would be adopted unanimously.

6. Mr. BOIKO (Ukrainian Soviet Socialist Republic) said that the sponsors of the draft resolution accepted the Australian suggestions and had already indicated where they should be inserted in the text. Accordingly, the Committee could proceed to the vote immediately.

7. Mr. KITTANI (Secretary of the Committee) summed up the amendments to the draft resolution. The first

two concerned operative paragraph 2. The phrase "the specialized agencies and the International Atomic Energy Agency" should be added after the words "United Nations Centre for Industrial Development" and the words "within the framework of" should be substituted for the words "in co-operation with". The third amendment was to reverse the order of paragraphs 3 and 4. The fourth, relating to paragraph 4 of the original text, was to replace the words "in co-ordination with" by "and to co-ordinate them with the related activities of". The comments by the Ukrainian representative regarding the translation of the Russian original into English and French would be drawn to the attention of the departments concerned.

8. Sir Keith UNWIN (United Kingdom) proposed that in operative paragraph 2 of the English text the phrase "Expresses its satisfaction", which the Ukrainian representative felt was too strong, should be replaced by the word "Commends".

9. Mr. MacLAREN (Canada) proposed that in operative paragraph 2 of the English text the word "programme" should be put in the plural.

10. Mr. BOIKO (Ukrainian Soviet Socialist Republic) said that the Canadian suggestion was in keeping with the facts with regard to carrying out the various activities mentioned in paragraph 2. He agreed that the word "Commends" was a better translation of the Russian original.

11. The CHAIRMAN proposed that the Committee should unanimously adopt the draft resolution (A/C.2/L.818 and Add.1 and 2) as amended.

It was so decided.

Organization of the Committee's work

12. The CHAIRMAN inquired whether the Committee was ready to begin its consideration of item 38 (Accelerated flow of capital and technical assistance to the developing countries) or whether it wished to continue its consideration of item 40 (Activities in the field of industrial development).

13. Mr. ALLANA (Pakistan) said that an agreement on item 40 would probably be reached within twenty-four hours. Meanwhile, the Committee might pass on to other matters.

14. Mr. BLAU (United States of America) said that his delegation was somewhat surprised at the assurance just given about an impending agreement in view of the fact that it had not been consulted.

15. Mr. ALLANA (Pakistan) explained that he had meant that many countries with interests in common had arrived at a fairly wide agreement on the question. His comment had not applied to the whole Committee.

16. Mr. TELL (Jordan) said that the countries to which the representative of Pakistan had referred fully realized that the United States was interested in the question. The United States delegation could therefore be assured that it would be duly consulted.

AGENDA ITEM 38

Accelerated flow of capital and technical assistance to the developing countries: reports of the Secretary-General (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)

17. Mr. PETERS (Dahomey), introducing the draft resolution in regard to financing of economic development (A/C.2/L.822), said that a number of countries, including those sponsoring the draft, were concerned by a situation which was becoming increasingly disturbing, namely, the dangerously slow progress of the investment of private capital in the developing countries. It was true that there had recently been a sustained increase in the total volume of external capital received by developing countries in the form of gifts, public loans and long-term private capital, but information showed clearly that the increase was, in fact, due to a continued increase in public financial aid, which had thus far compensated for the decrease in private foreign capital. Further, private foreign investment in the developing countries was largely in the form of direct investment in private enterprises which were more or less controlled by the investors. In addition, the investments were basically designed to promote the development of natural resources, while the industrial sector and, more specifically, the manufacturing branch, were being neglected. Neither should it be forgotten that the re-investment of profits greatly contributed to the real increase in private foreign investment.

18. While they acknowledged the praiseworthy efforts of the United Nations, IDA, the IMF and the World Bank to increase the funds intended for the developing countries, in particular by calling for increased public investment, the sponsors of the draft were of the opinion that the General Assembly should again draw world attention to the measures and actions for the acceleration of the flow of private capital to the developing countries. The draft resolution therefore, to some extent, repeated the basic ideas contained in recommendation A.IV.12 of the United Nations Conference on Trade and Development, which had formulated very specific proposals.^{1/}

19. It was generally agreed that not only capital as such but also the transfer of technical and managerial know-how acquired by private enterprise in the developed countries could greatly contribute to accelerating the industrialization of the developing countries. The scarcity of foreign currency was a further reason for encouraging that transfer, which would facilitate the establishment of new industries centred on the domestic market and exports. That was the reason for the increasing interest in the transfer of technical and managerial know-how by means of various contractual arrangements in conjunction with and supplementary to capital investment by the private enterprise, providing those services. The developing countries' determination to reap the greatest possible benefit from such a contribution was, moreover, matched by the desire of most of the leaders of private

^{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), p. 49-50.

enterprise in the developed countries to contribute to the fulfilment of those objectives, naturally as long as that co-operation was to their mutual advantage. In order to allay the legitimate fears of future investors, a great number of Governments had, either unilaterally or by means of bilateral agreement, provided investors with guarantees which would diminish the risk of expropriation or infringement of their rights and had offered them the means with which to defend their interests. Those considerations applied to the extremely liberal investment code promulgated by the Dahomean Government in 1961, to the agreements on the protection of investments concluded with the United States of America, as well as to the Convention concluded with the French Government for the avoidance of double taxation of income.

20. At a time when many developed countries were having serious balance-of-payments difficulties it would be worth paying particular attention to the advantages to be derived in a relatively short time from private investment in general. The draft resolution drew special attention to the various reports on that subject already published by the Secretary-General and requested him to continue the systematic studies called for by previous decisions of the General Assembly and the United Nations Conference on Trade and Development. The proposed studies should provide Governments and private foreign investors with any information they might need and with an analysis of government measures and national or international institutional arrangements to promote private foreign investment.

21. Mr. MAGOMBE (United Republic of Tanzania) said that the draft resolution largely repeated the main provisions of recommendation A.IV.12 on the promotion of private foreign investment in developing countries, which was adopted by the Conference by an almost unanimous vote. Tanzania attached great importance to that recommendation and had already adopted measures to implement it. An investment guarantee act, for example, had been promulgated which provided for a system of compensation in case of expropriation. It was to be hoped that the Governments of the developed countries would also take all appropriate measures to encourage private investment, for example, by granting tax exemptions or privileges. Paragraph 2 of the draft resolution had been worded to that effect, while paragraph 3 requested the Secretary-General to undertake further studies on the promotion of the international flow of private capital.

22. Mr. R. C. CHEN (China) recalled that during the sixteenth session, in defining the objectives of the United Nations Development Decade, the General Assembly had expressed the hope that the flow of international capital and assistance for development purposes would be further increased to approximately 1 per cent of the combined national incomes of the economically advanced countries (resolution 1711 (XVI)). Progress of developing countries in the first half of the Decade had been disappointingly slow and the gap between the developed and the developing countries had widened. Agriculture, which was the largest sector of economy in the developing countries had not expanded adequately to meet the needs of the population. Some, which had once been known as the "rice bowl" of Asia, had even had to import food

products. The food shortage, in its turn, had led to inflationary pressure and had generated balance-of-payments difficulties.

23. In the first few years of the present decade, industrial output in certain developing countries, such as the Republic of China, had increased at a substantially quicker rate than agricultural production. At the end of the Four-Year Plan (1961-1964), production in those sectors had increased in China by 72.7 and 27.9 per cent respectively. The share of the developing countries in total industrial production of the world, particularly in manufacturing industries, however, was less than one sixteenth of the 1963 total.

24. The Chinese delegation was very happy to note that the export earnings of the developing countries in the first few years of the present decade had expanded more rapidly than in the period 1955-1960. In 1964, the Republic of China had a favourable balance of trade for the first time since 1945, despite the phasing-out of American aid. That result had been obtained through the expansion of export markets and the diversification of exports. The economic growth of China had, however, slowed down a little in the first months of 1965 and the balance of payments now depended on finding wider markets in the developed countries for its manufactured goods.

25. The economies of many countries in Asia, Africa and Latin America were, unfortunately, dependent on a few primary commodities and, consequently, on price fluctuations in those commodities. The drop in the price of sugar, for example, which fell from twelve cents a pound in November 1963 to its present price of two cents, had placed the Chinese balance of payments in a very precarious position, since sugar accounted for a large percentage of China's foreign exchange earnings. Chinese economic planners had, however, foreseen that danger and vigorous efforts had been made since 1961 both to widen the sugar market and to diversify the export of manufactured articles and agricultural products. The decrease in foreign exchange earnings of sugar had thus been offset by a substantial increase in other export commodities. That experience could be a valuable indication to countries whose foreign exchange earnings were dependent on such commodities as cocoa and coffee and could encourage them to diversify their exports.

26. The Economic and Social Council report referred to the increasing burden of servicing the debt of developing countries (A/6003, para.219). Although, thanks to the establishment of IDA, progress had been made in that field, unless the flow of long-term capital continued to expand at moderate interest rates economic progress in the coming years could be hampered by debt servicing. The net contribution by the developed to the developing countries at present amounted to no more than one sixth of 1 per cent of their combined national incomes. Furthermore, the terms of repayment were just as important as the quantity of assistance provided. The soft loans extended by the IDA represented the type of assistance which the developing countries most needed. The Chinese delegation expressed the hope that the economically advanced countries would respond more

generously to the appeal to replenish IDA resources. It was nevertheless of the opinion that the IDA non-commercial credits and similar types of loans by various consortia should be more equitably distributed than in the past and should in particular benefit the newly independent developing countries of Africa and other parts of the world. The Chinese delegation welcomed the establishment of regional development banks and hoped that the Asian Development Bank would be able to lend its resources to the developing countries in Asia and to enable them to carry out high priority projects.

27. Greater efforts should be made by recipient countries to create a favourable climate for foreign investments. That implied, among other things, political stability, economic viability, and sound fiscal policies. In the course of the last few years, his country had introduced a number of measures to encourage foreign and domestic investment, such as temporary tax exemption, liberalization of import control and exchange convertibility, a reasonable rate of repatriation of capital investments, and guarantees against expropriation or nationalization. His Government had taken care not to generate any inflationary pressure through budgetary deficit financing. The result of that policy had been a substantial increase in fixed capital formation in both the public and the private sector between 1960 and 1964.

28. Technical knowledge was just as important as financial assistance. In the developing countries, financial aid would be wasted if the national technical personnel did not know how to operate the existing equipment. In that respect, the work done by FAO, UNESCO and the World Bank was to be commended. Co-operative arrangements now existed between the World Bank on the one hand, and FAO and UNESCO on the other. Those agencies, together with the Special Fund and the Technical Assistance Board, were helping under-developed countries to make evaluation and feasibility studies in their economic planning, and giving them technical assistance wherever needed.

29. His Government was ready to co-operate in the joint effort to eradicate illiteracy. The percentage of illiteracy in Taiwan had dropped to 8 per cent, an achievement that was due principally to the universal compulsory education system, which absorbed more than one third of the revenue of that province. The consequently abundant supply of skilled and semi-skilled manpower had contributed to the phenomenal economic growth of Taiwan. His country was even in a position to help other countries in Asia, Africa and Latin America by sending them "demonstration teams" and missions for technical co-operation. It was conducting seminars and symposia for hundreds of trainees from Africa and neighbouring countries in Asia. His Government would be happy to extend similar technical assistance to other friendly developing countries upon their request.

30. Mr. GALLARDO MORENO (Mexico) recalled that, in its general statement made at the start of the session (969th meeting), his delegation had expressed the conviction that the only type of financing that could help to accelerate progress in the developing countries by enabling them to build up their infrastructure was long-term low-interest financing.

31. His delegation, which advocated the use of foreign capital to supplement domestic investment, was willing to support the draft resolution, but would propose the addition of the following text at the end of operative paragraph 2: "always taking into account the particular laws and relevant regulations of each country, in order that such investments should in no case receive different treatment from that accorded to domestic investments;".

32. Mr. BLAU (United States of America) said that he would not offer detailed comments on the very important reports before the Committee, since his delegation had already had occasion to do so at the Economic Committee (372nd meeting), during the thirty-ninth session of the Economic and Social Council. The fourth report of the Secretary-General on the promotion of the international flow of private capital (E/3905 and Add.1) and his last report on the international flow of long-term capital and official donations (E/4079 and Add.1) contained, as always, useful information, the presentation of which would doubtless be improved in the future as a result of the action taken in application of General Assembly resolution 1938 (XVIII), as mentioned in document A/5732.

33. His delegation had not received the Secretary-General's report on the role of enterprise-to-enterprise arrangements (E/4038 and Add.1) in time to comment upon it at the thirty-ninth session of the Council and, while approving of the practice of placing the summary and the Secretary-General's conclusions at the beginning of the report, it wished to point out the danger of an interpretation which, though difficult to avoid in a summary, might not always be accurate. For instance, it regretted the use in the summary of certain expressions implying judgements which found no support in the text, such as "unimaginative adoption of traditional forms and relationships", or "a wholly one-sided transfer arrangement", which was, in any event, a contradiction in terms since such transfers were effected by agreement.

34. His delegation had approved recommendation A.IV.12 of the United Nations Conference on Trade and Development, and his Government had taken steps in the same direction: when its balance-of-payments position had obliged it to adopt various measures to reduce the flow of private investments outside the country, it had always made exceptions in the case of capital for developing countries; it had also recently recommended to Congress the adoption of fiscal measures designed to stimulate such investments.

35. He was therefore able to support the draft resolution, but was not sure of the meaning of operative paragraph 4, since the Secretary-General was in any case obliged to report periodically on the subject to the Economic and Social Council and the General Assembly and one-time reports were not in question. If, as he had been informed, the intention of the paragraph was to have future reports issued in printed form, it would have to be ascertained whether their publication in that form would involve financial implications.

36. Miss WILLIAMS (Nigeria) supported the draft resolution and also the amendment just proposed by the representative of Mexico concerning operative

paragraph 2; she suggested that at the end of the paragraph as it stood the words "the above-mentioned recommendation of" should be deleted.

37. Mr. WHYTE (United Kingdom) said that his delegation had already stated its position at the thirty-ninth session of the Economic and Social Council before the Economic Committee (371st meeting), and had expressed the hope, during the general discussion, that the Committee would adopt resolutions likely to stimulate the flow of capital to the developing countries. Like the United States representative, he appreciated the importance of the documents prepared by the Secretary-General during the past year.

38. His delegation had voted in favour of the recommendation A.IV.12 of the United Nations Conference on Trade and Development although it might be considered, as indicated by the French delegation, that the measures proposed in that recommendation did not constitute a comprehensive list of all possible measures. It was therefore willing to approve the draft resolution before the Committee.

39. Mr. GALLARDO MORENO (Mexico) said that in order to facilitate adoption of the draft resolution, he would delete the last part of his amendment to paragraph 2, after the words "each country".

40. Mr. MAGOMBE (United Republic of Tanzania), on behalf of the sponsors of the draft resolution, accepted the amendments proposed by the representatives of Mexico and Nigeria.

41. Mr. WARSAMA (Somalia) suggested that in the fourth preambular paragraph the word "may" should be replaced by the word "would".

42. Mr. D'ASPREMONT-LYNDEN (Belgium) said that his delegation was most anxious to vote in favour of the draft resolution and would be able to do so if a slight change could be made in operative paragraph 1. His delegation had in fact expressed reservations concerning the recommendations contained in recommendation A.IV.12 of the United Nations Conference on Trade and Development, and would consequently like the operative word "Endorses" to be replaced by the word "Notes".

43. Mr. RENAUD (France) supported the amendment just proposed by the representative of Belgium, and said that his delegation would be able to support the draft resolution unreservedly if it were amended to include, between the first and second preambular paragraphs, the second and third preambular paragraphs of Economic and Social Council resolution 1088 A (XXXIX). Those two paragraphs, one of which referred to the recommendation A.IV.2 of the United Nations Conference on Trade and Development, specified the objectives pursued by the General Assembly

and the Conference, and they would fit well into the context of the draft resolution under consideration.

44. Mr. PETERS (Dahomey) pointed out that the amendment proposed by the Belgian representative required a considerable concession on the part of the sponsors of the draft resolution, for the word "Notes" was perceptibly weaker than "Endorses". He himself, however, was willing to make that concession if it would facilitate unanimous adoption of the draft resolution, and he believed that the representative of the United Republic of Tanzania shared his sentiments.

45. As regards the amendment suggested by the French delegation, he thought that it would raise little difficulty but could not give a definite answer until he had studied the paragraphs in question.

46. Mr. MAKEEV (Union of Soviet Socialist Republics) said that his delegation had intended to intervene later in the discussion to give its views both on the substance of the matter and on the various draft resolutions that would then be before the Committee. In view of the turn which the discussion had taken, however, he was obliged to offer his comments on the draft resolution under consideration without delay.

47. His delegation had always maintained that the developing countries should avail themselves of foreign private investments, on condition that those investments were subject to national laws and regulations and did not result in the domination of the economy of the country concerned by foreign monopolies. It was therefore surprised at the one-sidedness of the draft resolution. In particular, the fourth preambular paragraph—and especially if the amendment proposed by the representative of Somalia was incorporated—was even weaker in that respect than the text of the recommendation of the United Nations Conference on Trade and Development, which at least referred to the sovereignty of the developing countries. Nor was their sovereignty mentioned in operative paragraphs 2 or 3, which contained no reference to exporters of capital or the benefits derived from foreign investments. The draft resolution accordingly represented a backward step compared to Economic and Social Council resolution 1088 A (XXXIX), which recommended that the Governments of developed Member States should give early and sympathetic consideration to making their terms of lending more flexible.

48. His delegation had considered it indispensable to offer its preliminary comments immediately, but reserved the right to speak again on the question as a whole and on the final text of the draft resolution.

The meeting rose at 12.55 p.m.