



ECONOMIC AND SOCIAL COUNCIL

Resumed Forty-fifth Session
OFFICIAL RECORDS

Friday, 1 November 1968,
at 11.10 a.m.

NEW YORK

CONTENTS

<i>Agenda item 5:</i>	<i>Page</i>
<i>Promotion of private foreign investment in developing countries</i>	<i>1</i>

President: Mr. Manuel PÉREZ GUERRERO
(Venezuela).

AGENDA ITEM 5

Promotion of private foreign investment in developing countries (E/4600)

1. Mr. GALLARDO MORENO (Mexico) reaffirmed the position taken by his delegation during the discussion of the item at Geneva: foreign investment could be of great assistance in accelerating the process of development, provided that it was made within the context of national plans and was associated with local interests in what were known as mixed enterprises or joint ventures. That system had shown itself to be effective and efforts should be made to steer foreign investment towards developing countries, provided that it was adapted to the needs of the country concerned and subject to local legislation.

2. Mexico considered that there was no justification for giving foreign investment preferential treatment over local investment. A procedure had been laid down by IBRD for settling disputes that might arise between the investing and recipient countries.^{1/} According to a document of IBRD, fifty-nine countries had signed that agreement and forty-one had already ratified it. Until recently, however, no dispute had arisen, which suggested that the mechanism in question was superfluous. Mexico attached great importance to respect for the sovereignty of each country in the matter of foreign investment and to the fact that it was out of the question to grant preferential treatment to foreign investors who, like domestic investors, came under the exclusive jurisdiction of the local courts.

3. The PRESIDENT invited the observer for Malta to make a statement in response to his request under rule 75 of the rules of procedure.

4. Mr. PARDO (Observer for Malta) said that, during the discussion of agenda item 42 in the Second Committee,^{2/} his delegation had suggested a practical way in which the developing countries could make known their foreign investment needs more easily. Those countries, and particularly small countries like Malta, lacked the expertise required for negotiating invest-

^{1/} Convention on the settlement of investment disputes between States and nationals of other States (United Nations, Treaty Series, vol. 575 (1966), No. 8359).

^{2/} See Official Records of the General Assembly, Twenty-third Session, Second Committee, 1199th meeting.

ment contracts that would be advantageous to both the investing and recipient countries. In view of those difficulties, his delegation had suggested the establishment of an international investment promotion centre, which would be a small body with essentially practical functions within UNIDO, UNCTAD, GATT or even the International Development Association.

5. His delegation had prepared a draft resolution, but had been gratified to note, in the report of the Secretary-General that item 7 of the provisional agenda of the panel on foreign investment in developing countries (see E/4600, annex), which was to meet at Amsterdam, mentioned the idea of a promotion centre, although it did not give it the importance it deserved. He felt, moreover, that the terms in which the items on the panel's agenda were couched were too general. Item 7, for example, referred to "investment promotion centres", but it would be preferable to consider the establishment of one international investment promotion centre with specific functions and to give the panel precise indications so that it could formulate some views on the proposal. If the panel considered that it was feasible, the centre should be established at the beginning of the next United Nations Development Decade.

6. He therefore suggested that item 7 should read: "Bilateral and multilateral measures for the promotion of foreign investment", followed by two sub-headings: "(a) international investment promotion centre" and "(b) investment insurance, arbitration, etc.". He also hoped that his Government and other interested Governments would be invited to submit, either orally or in writing, their detailed views on the specific question of the establishment of an international investment promotion centre within the framework of an existing United Nations body.

7. In conclusion, he hoped that the Council, in its resolution on the promotion of private foreign investment in developing countries, would mention the desirability of examining the feasibility of establishing an international investment promotion centre within the framework of an existing United Nations body. In expressing that wish, he was not suggesting that such a centre was the only suitable way of promoting private investment in developing countries, but if it was properly conceived and efficiently administered, it would make a modest contribution towards solving some of the difficulties encountered by the smaller countries. It would, in addition, provide an opportunity for the United Nations to move from the stage of research to practical action.

8. Mr. HOVEYDA (Iran), commenting on the provisional agenda of the panel on foreign investment in developing countries, said that the general wording of the items covered the problems as a whole that were to be dealt with at the meeting. There was, however, one gap in the provisional agenda: the discussions at

the Council's forty-fifth session had indicated that it was thought desirable to establish a dialogue between those who possessed capital and those who needed it. The desire for a dialogue was not reflected in the agenda. Foreign investors needed to be shown that it was in their interest to invest in developing countries, and that should be the subject of an agenda item.

9. With regard to the suggestion made by the observer for Malta regarding the establishment of an international investment promotion centre, the centre should be primarily an information centre, since the sorest need was for information on investment opportunities. Moreover, if the developing countries succeeded in persuading private investors that it would be in their interest to invest in those countries, it would be the investors themselves who would undertake the subsequent promotion work.

10. Mr. BLAU (United States of America) reminded the Council that its function was merely to consider the exact date and agenda of the meeting of the panel to be held at Amsterdam in February 1969. It was customary for the Council to propose a provisional agenda to the body concerned, which would then determine its final agenda itself. His delegation approved of the dates proposed and thought the agenda complete and satisfactory, although he wondered whether the panel would be able to consider all the items in only five days.

11. The suggestion by the observer for Malta regarding the establishment of an international investment promotion centre within the framework of the United Nations could be discussed in connexion with item 7 of the provisional agenda, but it should be remembered that a panel of that kind, made up of representatives of developed and developing countries and not of experts in United Nations organizations, could not go very far in discussing the institutional aspects of such a matter.

12. He wondered whether it was really desirable to consider the establishment of a multilateral body and whether national bodies might not be more effective. He was thinking in particular of the body set up by the Government of the Netherlands under the Marshall Plan to stimulate investment in that country and of the Indian investment centre in the United States. It might also be asked whether such a clear distinction should be made between the promotion of investment and the promotion of trade. The UNCTAD/GATT International Trade Centre, for example, could also concern itself with investment promotion. At all events, the body in question should operate within the framework of the United Nations, and the people who would attend were not competent to discuss the institutional aspects of its establishment.

13. Mr. FIGUEREDO PLANCHART (Venezuela) said that on the whole he shared the views of the United States representative but that he had some additional comments to make. On the question of preferential treatment for foreign investment, he shared the Mexican delegation's view. The proposal to establish an international investment promotion centre, was a matter which could be examined by the Panel at its Amsterdam meeting and might give rise to a fruitful exchange of views among the experts.

14. The Iranian representative had rightly remarked that the proposed centre should be primarily an information centre. To make the suggestion more specific, he proposed that the wording of agenda item 7 should be modified by deleting the words "and protection" in the first line and then, in the second line, by substituting the words "investment promotion and information centres" for "investment promotion centres". Other delegations might like to modify the provisional agenda and add other items. In any event, the views expressed by the members of the Council should be communicated to the Panel.

15. Mr. DE SEYNES (Under-Secretary-General for Economic and Social Affairs) said that an unusual procedure, involving the use of extra-budgetary funds or private meetings, had been followed in arranging the meeting of the panel on foreign investment. The item was on the Council's agenda because some delegations had evinced special interest in it both in the General Assembly and in the Council. It should be noted that the meeting would be essentially of an exploratory nature. From the outset the aim had been to arrange a dialogue which would allow the various parties concerned to gain a better understanding of their reasoning and their attitudes on certain subjects and to seek a solid basis for reconciling different and sometimes divergent aspirations. That was still the aim.

16. The panel had not been visualized as a body for advising the Council or the General Assembly, but those organs might glean some useful information from its report. The agenda for the meeting must be more flexible than the agenda of an official United Nations body. In order to allay the concern expressed by the representatives of Venezuela and Mexico and the observer for Malta, he said that the panel's discussions were not likely to be abstract in view of the capacity of the participants; on the contrary, they would be extremely down to earth. It would not be a gathering of experts; the individuals now being contacted had experience and responsibilities in the field of foreign investment. They included, for example, ministers of developing countries and heads of large international enterprises.

17. The many comments made during the discussion were very helpful and would be taken into account in the preparation of the preliminary documentation for the panel. In view of its nature, the dialogue could scarcely be limited and it was impossible to exclude certain items which might hold great interest for one or another of the participants.

18. Mr. BRADLEY (Argentina) said that it was for the members of the panel and not for the members of the Council to decide on the final wording of the agenda items. The provisional agenda was sufficiently general and took into account the views of various participants. If certain points were ruled out because they were at variance with the domestic legislation of some countries, the participants would be denied the chance of expressing their opinions. The panel's meeting was a private meeting of an exploratory nature which would offer an opportunity of airing opposing views on foreign private investment. The priority fields of activity mentioned in item 4 constituted a very broad subject. It should be possible to group

the countries by types of priority and to study the problems sector by sector. The view of the observer for Malta was constructive but might already be covered in item 7. He endorsed the idea of regional localization of investment promotion centres, which could also deal with trade problems, and cited the example of the centre for promoting the trade of the Latin American countries, whose headquarters was in Colombia. However, the time set aside for the Amsterdam meeting appeared to be too short and it would be advisable to consider the possibility of extending it to one week.

19. Mr. ALLEN (United Kingdom) felt that the meeting of the panel would be productive and that the developing countries would obtain useful information on how to attract private capital. The proposal of the observer for Malta was interesting and deserved serious consideration by the panel. He did not share the apprehensions expressed by some delegations about discussion of the proposal and the panel would not try to fit the proposal into the institutional framework of the United Nations. The Council would do that after considering the panel's advice. In any case the panel was free to discuss whatever it wished. With regard to inviting government representatives, it was important not to disturb the nature of the panel, which was a carefully balanced body of officials from governments of developing countries and of leaders of the investment community. He was not in favour of deleting the words "and protection" from one agenda item and thought that that decision should be left to the panel.

20. Mr. BILLNER (Sweden) pointed out that there was a difference between private assistance and official assistance. By definition, transfers of resources from the official sector were used for development. Private investments were otherwise motivated but could play an important role in development.

21. In Sweden, assistance policies were based primarily on the official aid programmes. The budgetary appropriations proposed by the Swedish Government would reach the target of 1 per cent of the gross national product in the fiscal year 1974-1975. The flow of private non-monetary long-term capital from Sweden to the developing countries had reached \$44 million in 1967, an increase of 50 per cent over 1965. Various projects were financed jointly with other countries and IBRD. In 1967, IBRD had floated a \$14.5 million bond loan on the Swedish market. In 1968, the Swedish Parliament had approved a national investment guarantee system.

22. The Secretary-General's study on the promotion of private foreign investment covered all forms of private capital transfers to developing countries and sought ways and means of promoting an increased flow of private investments. So far very little was known about the effects of private foreign investments. His Government welcomed that study which would contribute to a better understanding of the topic. The dialogue which would take place in the panel would help to clarify the effects, role and conditions of private investment. The Swedish investment guarantee system would cover only investments which genuinely contributed to development, and the recipient country concerned would have to confirm that a given project was desirable and fell within its investment plan. The

projects would be prepared in close co-operation with the developing countries and in accordance with the principles of the Charter of Algiers.^{3/} The guarantee was extended only for direct investments. The guarantee period did not exceed fifteen years, and in certain cases the period might be extended to twenty years. Guarantees could be issued to a total amount of \$77.2 million. Only the theoretical aspects had so far been touched in research relating to private investment, and there was a need to collect more empirical data. Very little was still known about the flow of capital from the developing countries. The same was true of the multiplier effect of private investments. It was especially important to study the question how to promote investments, which would contribute in an efficient way to the transfer of technical and industrial know-how. The long-term objective must be the transfer to the developing countries of what may be called the "industrial initiative". That would enable the developing countries to choose between national and foreign investment capital, when it came to the realization of a given project, for example the exploitation of national resources. The basic guideline for considerations in that field must be the developing countries' needs as defined by themselves for various forms of assistance.

23. Mr. VARELA (Panama) thanked the Under-Secretary-General for his clarifications and expressed particular approval of the panel's membership. It was preferable for it to consist not of theoreticians but only of individuals who had practical experience of the usefulness of foreign investments and, if possible, of regional priorities. No change was needed in the provisional agenda. As for the establishment of an investment promotion centre within the United Nations, agenda item 7 already covered the point adequately. It would be for members of the panel to define the nature of an investment promotion centre and to decide whether it should be established within the United Nations. It had been suggested that the word "information" should be added to item 7, but the term "promotion" was already sufficiently broad and there could be no promotion without information and the dissemination of knowledge. The Latin American countries were generally opposed to guarantee measures which discriminated against national investments but the panel would have to discuss that matter. The panel was of an exploratory nature and its views would not be binding on Governments. In conclusion, he fully supported the proposed provisional agenda.

24. Mr. DECASTIAUX (Belgium) thanked the Under-Secretary-General for his helpful explanation of the nature and methods of the panel's work, as a result of which his delegation whole-heartedly supported the meeting, especially as it was to be held in a country which had very close links with Belgium.

25. He favoured the suggestion made by the observer for Malta which had already been submitted to the Second Committee by the representative of that country; it was most interesting and should be examined closely. His delegation could see no objection to following the Maltese suggestion that item 7 of the

^{3/} See Proceedings of the United Nations Conference on Trade and Development, Second Session, vol. 1 and Corri.1 and Add.1, Report and Annexes (United Nations publication, Sales No.: E.68.II.D.14), p. 431.

panel's provisional agenda should refer to the establishment of an investment promotion centre and not to investment promotion centres.

26. His delegation approved of the provisional agenda for the Amsterdam meeting. With regard to the Venezuelan representative's comments, while it was true that the idea of protection in the context of foreign investment had to be approached with great care, it should not be overlooked. On the contrary, the discussions might well lead to conclusions of great use to all countries, including Venezuela. In any case, it was for the members of the panel to decide whether or not to discuss a particular matter.

27. Finally, his delegation would be deeply disappointed if investment insurance, which interested it greatly, was not taken up at the Amsterdam meeting.

28. Mr. GALLARDO MORENO (Mexico) pointed out that the provisional agenda of the panel had been submitted to the Council only for consideration and not for adoption. Thus the Council should confine itself to discussing it and the opinions of the delegations would then be transmitted to the experts who would take them into consideration in their work.

29. Mr. LOPEZ URZUA (Guatemala) said that he welcomed the forthcoming meeting of the panel which would engage in a dialogue that would certainly lead to positive results. The countries of Central America were trying to bring about their economic integration and had accordingly held several seminars and symposia in which foreign investors had participated. The results of those meetings had been most encouraging.

30. While he did not wish to submit a formal amendment to the panel's provisional agenda, it should be made clear that the panel would consider only private foreign investment, for the situation was completely different in the matter of public investment. Moreover the wording of item 5, which was perhaps unduly specific, might well discourage the panel from considering the matter as a whole.

31. In connexion with the Venezuelan proposal to substitute the words "investment promotion and information centres" for "investment promotion centres" in item 7, the concept of providing and disseminating information was inherent in the idea of promotion and the proposed amendment would not therefore add anything new to the present text. On the other hand, the other Venezuelan proposal to delete the words "and protection" in item 7 had the support of his delegation. It was hardly possible for investments to be promoted in the absence of protective measures. As the idea of investment promotion implied protection, it was unnecessary and even ill-advised to include the latter in item 7.

32. In conclusion, he wondered whether it would be possible for representatives of regional or local institutions directly concerned with development to be present as observers at the panel's meeting.

33. Mr. VARELA (Panama) said that his delegation was satisfied with the present wording of item 5, especially the reference to domestic participation or control. The panel should consider that aspect in depth as it was directly linked to the implementation of General Assembly resolution 2158 (XXI) recognizing

the right of all countries, and in particular of the developing countries, to secure and increase their share in the administration of enterprises which were fully or partially operated by foreign capital and to have a greater share in the advantages and profits derived therefrom.

34. Mr. ROUAMBA (Upper Volta) said that he was disappointed that the Under-Secretary-General's explanatory remarks had not been included in the report by the Secretary-General. Moreover, he wondered to which Governments and international organizations the Secretary-General had addressed the inquiry mentioned in paragraph 3 of the report. That information would in fact dispel certain apprehensions which had arisen in the Council.

35. He recalled that Council resolution 1359 (XLV) referred solely to investment promotion and nowhere referred to protective measures. Obviously capital was invested only if adequately protected. The developing countries were in a good position to know. Therefore, in accordance with the Venezuelan representative's suggestion, it would be preferable not to bring the idea of protection into item 7.

36. The ultimate purpose of the Council's debate was to implement that resolution, as was perfectly clear from the fourth and fifth preambular paragraphs and paragraphs 2, 4 and 5. The Council, recalling General Assembly resolution 2087 (XX), the recommendations in the Final Act of the first session of UNCTAD,^{4/} resolution 33 (II) of the second session of UNCTAD,^{5/} Council resolution 1286 (XLIII), again noted that the flow of investment from developed countries to developing countries was not increasing satisfactorily and invited the Secretary-General to pursue consultations with a view to facilitating the preparatory work for the meeting of the panel. The keyword of the resolution was "dialogue" and it was to be hoped that the proposed panel would begin the dialogue and thus enable the developing countries to break the present deadlock.

37. He hoped that the panel would be constituted as soon as possible and that the excellent quality of the participants and the interest aroused by their work would repay the Netherlands for their generous hospitality.

38. Mr. FIGUEREDO PLANCHART (Venezuela) said that when, at the twentieth-first session of the General Assembly, the Netherlands had mentioned the possibility of convening a panel on foreign investment, several delegations, including his own, had expressed serious reservations on certain aspects of the panel's work, and in particular on the desirability of dealing with investment protection and guarantees at that meeting. An agreement satisfactory to all delegations had been reached on the text of resolution 1359 (XLV) in the relevant discussions at the forty-fifth session of the Council. Nevertheless, there was no reference in the resolution to the idea of protection and guarantees and he hoped that the provisional agenda before

^{4/} See *Proceedings of the United Nations Conference on Trade and Development, Vol. I, Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11).

^{5/} *Ibid.*, Second Session, vol. I and Corr.1 and Add.1, *Report and Annexes* (United Nations publication, Sales No.: E.68.II.D.14), p. 44.

the Council would be confined to the points on which agreement had been reached at Geneva. He therefore repeated his suggestion that any reference to investment protection in item 7 of the agenda should be deleted.

39. Mr. DE SEYNES (Under-Secretary-General for Economic and Social Affairs), replying to the question raised by the representative of Upper Volta, said that the inquiry had been sent to all States Members of the United Nations, United Nations organizations, the specialized agencies, the regional development banks, the regional development institutes established under the auspices of the United Nations, and OECD. So far, replies had been received from six Member States, UNCTAD, UNIDO, UNDP, OECD and the Asian Development Bank.

40. Mr. PARDO (Observer for Malta) thanked those delegations which had welcomed his proposal. The Maltese delegation, which did not participate in any of the United Nations bodies dealing with development, was aware of the difficulties which small countries underwent in attracting the investments necessary

for their development and in negotiating contracts on an equitable basis with the investors. It recognized that the panel's dialogue would be most useful, and its modest proposal was basically designed to improve the practical aspects of the panel's work. He therefore hoped to have the opportunity of presenting it in more detail so that the panel could consider it in connexion with its agenda.

41. Mr. DE SEYNES (Under-Secretary-General for Economic and Social Affairs) assured the observer for Malta that the panel would discuss his proposal. If the Maltese delegation wished to address a more specific statement to the Secretariat, it would be duly taken into consideration when the preparatory document was drawn up as a basis for the panel's work.

42. The PRESIDENT suggested that the Council should take note of the Secretary-General's report.

It was so decided.

The meeting rose at 1.20 p.m.