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CONTENTS

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, A/C.2/L.242, A/C.2/L.243) (*continued*)

1. Mr. ARMENGAUD (France) explained why his delegation had joined with various other delegations in proposing an amendment (A/C.2/L.242) to paragraph 6 of the text of resolution 512 B (XVII) proposed by the Economic and Social Council for adoption by the General Assembly.

2. His delegation considered, as it had stated during the general debate (293rd meeting), that positive measures should be taken to facilitate the flow of private capital, and that studies should be made of a possible code of foreign private investment and of new types of internationally financed companies to assist in the development of under-developed countries. It would therefore have wished the Secretary-General to undertake those studies, particularly in consultation with the International Bank for Reconstruction and Development and the International Monetary Fund, in order that those bodies might submit definite suggestions regarding the various proposals made in the General Assembly and in national parliaments which would settle the difficulties arising from certain special needs that could not be overcome by the classic remedies. For instance, French and foreign experts and engineers had studied the best means of developing southern Morocco and southern Algeria, but as French law did not apply in Morocco and Moroccan law did not apply in Algeria, it had been impossible to organize a company which satisfied the interests of the two parties. Similar problems arose between France and Germany with regard to the electrification of the Rhine and the canalization of the Moselle. Similar problems with international implications no doubt arose in all parts of the world.

3. The Secretary-General, the Bank and the Fund, as well as all other competent agencies, should therefore be asked to study such problems. It did not, however, appear that those three authorities should take any direct action in the matter. Hence the French delegation, together with others, had submitted an amendment. The sponsors of the amendment had been realistic. They had felt that results were more likely to be achieved by setting a limited initial objective, and they had therefore proposed that the Bank and the Fund should not give a final opinion but should merely present comments and suggestions, particularly on plans under consideration in various countries.

4. In his opinion, his amendment met the purposes of operative sub-paragraphs (*a*) and (*b*) of the revised joint draft resolution (A/C.2/L.241). In that connexion he pointed out that in the agreements on double taxation—a subject whose study should be continued—account should also be taken of indirect taxes, which were very heavy in some countries. His amendment also largely answered the purpose of the Haitian draft resolution (A/C.2/L.225), since it requested the Secretary-General and the competent agencies to consult all the available documentation and to take account of the discussions already held and the proposals and suggestions made on the subject.

5. Mr. BANNIER (Netherlands) said that during the debate on the Special United Nations Fund for Economic Development his delegation had indicated (295th meeting) the order of priority it felt should be assigned to the various projects for financing the economic development of under-developed countries. After the mobilization of available capital in the under-developed countries themselves, priority should be given to the operations of SUNFED; the next highest priority should be given to the international finance corporation and the International Bank for Reconstruction and Development. Private foreign capital would come fourth, not because the Netherlands delegation thought that it did not have an important part to play but because it was a fact that the flow of capital to under-developed countries was tending to slow down rather than to accelerate.

6. Nevertheless, his delegation felt that careful consideration should be given to all means of promoting the international flow of private capital and supported the recommendations on that subject made in Council resolution 512 B (XVII). The Council and the General Assembly could, of course, only make general recommendations in that field, but, contrary to what some representatives had said, it was only natural that the United Nations should make suggestions with a view to safeguarding the interests of the capital-importing and capital-exporting countries. Certain other useful recommendations could perhaps have been included in the Council's resolution and some of the measures included might have been omitted but the

A/C.2/SR.327

resolution had, on the whole, been carefully thought out and was well balanced.

7. The Haitian draft resolution contained some new ideas; in particular, it included recommendations for the better utilization of existing agencies such as technical assistance and the Bank. However, as some delegations had already pointed out, the draft as a whole reiterated the recommendations contained in the Economic and Social Council's resolution. His delegation believed that the Committee should not adopt two draft resolutions on the same subject, and, if it had to choose between the two texts, it would vote for the Council's text.

8. The Netherlands delegation would support the amendment proposed by France and four other countries as it would undoubtedly improve the Council's resolution. Some valuable suggestions had been made during the debate and it would be useful to know the views of the Bank, the International Monetary Fund and perhaps the other competent international agencies, on the subject. He had been particularly impressed by the French delegation's suggestion concerning the possible drafting of an international investment code or charter. The International Chamber of Commerce had proposed such a code some years ago. He did not know what had become of the proposal or why it had been dropped, but if such a code could be drafted, it would be in the interests of all countries.

9. With regard to the six-Power draft resolution (A/C.2/L.241), he felt that the Economic and Social Council's decision to discontinue the Fiscal Commission had been in order because the Commission had completed its work and the Secretariat could continue the studies in progress. His delegation would therefore vote for the draft resolution, which could not be regarded as a criticism of the Council.

10. Mr. HALIQ (Saudi Arabia) said that the flow of private capital was as important to the economy of industrialized countries as to that of under-developed countries. It was unfortunate that the texts before the Committee, including the Economic and Social Council's resolution, did not place sufficient stress on that point. Most of the recommendations contained in the Council's resolution were, in fact, addressed to the under-developed countries. Similarly, the Secretariat report entitled *The International Flow of Private Capital 1946-1952* (E/2531), which stressed the need for creating a favourable climate for private investment in the under-developed countries, failed to mention the advisability of creating an equally favourable climate in the developed countries. If the flow of capital was to become more productive and more useful to the two categories of countries, recommendations should be addressed to both sides.

11. An increased flow of private capital was certainly not the only means of accelerating the development of the under-developed countries but, unfortunately, the attempts made hitherto to study means of financing economic development had come to naught. No decision had been taken concerning SUNFED or the international finance corporation and a similar failure would be recorded if the problem of the flow of private capital was tackled in such a fragmentary and one-sided manner.

12. In its resolution 512 B (XVII) the Economic and Social Council had attempted to deal with every aspect of the problem. Nevertheless, its proposed solutions were not entirely satisfactory and the Saudi Arabian delegation felt that the Committee, which was more representative than the Council, should seek a more effective solution.

13. Mr. OZGUREL (Turkey) said that he did not share the opinion of the Saudi Arabian representative. The Economic and Social Council's resolution 512 B (XVII) of which Turkey had been one of the sponsors, contained certain important recommendations both to capital-exporting and capital-importing countries, and implementation of that resolution might create an atmosphere favourable to the flow of foreign capital, without which international economic progress was impossible. The Council's resolution was marked by a praiseworthy spirit of co-operation. It was, perhaps, not a perfect text. The flow of capital was, in fact, influenced by a number of factors; if, for instance, one nation had a surplus of savings while another's savings were inadequate, a movement of capital from one country to the other might ensue even though the financial return on the capital was small. Moreover, a correlation between full employment and capital movement might take the place of the correlation between the rate of interest and capital movement. Lastly, to a large extent capital movement depended upon the inflationary or deflationary trends in national budgets. Those were only a few examples to illustrate the complexity of the problem, and additional studies would be required before it could be solved. It was that consideration which had prompted Turkey to become one of the sponsors of the draft amendment to paragraph 6 of the Council's resolution 512 B (XVII).

14. As far as the Haitian draft resolution was concerned, he was in full agreement with the Australian representative's views.

15. Lastly, the Turkish delegation would vote in favour of the draft resolution on international tax problems, as its usefulness was obvious.

16. Mr. MANSOUR (Iran) explained that the fact that the Iranian delegation had not taken part in the debate did not indicate any lack of interest in the question on its part. On the contrary, his delegation felt that international private capital could play a leading role in the economic development of the under-developed countries.

17. The Iranian Government had taken very important decisions in that connexion. A bill to facilitate the entry of foreign capital was before the legislature. Owing to the serious difficulties it had had to face in the past three years the country had not yet been able to advance rapidly, but in view of the political, economic and social decisions that had recently been taken it hoped to achieve significant results in the future. It was in that spirit that the Iranian delegation had joined in sponsoring the joint amendment and would vote for the Economic and Social Council resolution and the six-Power draft resolution.

18. In view of the substantial influence its decisions could have in international financial matters, it was the United Nations duty to take action. The Iranian delegation supported the suggestion that consideration be given to the possibility of drafting a code for private investment. If that idea could be given effect under United Nations auspices there was no doubt that all

the under-developed countries would derive great benefit from it.

19. With regard to the Haitian draft resolution he agreed with the Netherlands representative that it would be undesirable for the Committee to adopt two more or less similar texts; he reserved the Iranian delegation's position on that point.

20. Mr. HEGDE (India) said that, while he fully appreciated the reasons which had prompted the Haitian draft resolution, he felt that the proposal had less justification now that it was virtually certain that the international finance corporation would be established. The recent announcement by the United States Government left no room for pessimism on that score. He wondered therefore whether the Haitian representative would be willing to withdraw his draft resolution. The Indian delegation would prefer not to have to vote against a text which it approved in substance but which would not, in its view, serve a useful purpose.

21. Mr. CARANICAS ((Greece) associated himself with the views which the South African representative had expressed at the 326th meeting. He too felt that the Committee should not adopt two texts on the same subject at one session of the General Assembly.

22. Mr. ENCINAS (Peru) congratulated the Haitian representative on his valuable contribution to the study of the international flow of private capital. The Haitian draft resolution contained some excellent ideas which deserved systematic and detailed study. The fact that some of those ideas were implicitly or explicitly included in the Economic and Social Council resolution was of purely relative importance. The main consideration was that those ideas should be given expression, and the Haitian representative had done so in a manner which had earned him the Committee's gratitude.

23. However, as there was no time to prepare a draft resolution which would not duplicate the text proposed by the Council, he proposed that the Haitian proposals be included in the Rapporteur's report to ensure that they received due consideration. The Committee would invite the Secretary-General to take them into consideration in preparing the annual report requested in Council resolution 512 B (XVII).

24. Mr. CHAUVET (Haiti) said he had thought that his delegation's simple and practical proposal would be adopted with little or no opposition. He could not accept the principle that the General Assembly should not adopt two texts on the same subject; there were hundreds of resolutions which resembled, supplemented and strengthened one another. However, in view of the reaction to his draft resolution, he accepted the Peruvian representative's proposal that the text appear in the Committee's report, on the understanding that the Secretary-General would be asked to take it into consideration in preparing his report on the international flow of private capital.

25. The CHAIRMAN invited comments on the joint amendment (A/C.2/L.242).

26. Mr. CARANICAS (Greece) said he had little to add to the French representative's lucid explanation. Greece had joined in sponsoring the amendment to paragraph 6 of the Council resolution because it felt that the existing disequilibrium in international payments, which was reflected, among others, in exchange control and the inconvertibility of currencies, was a serious obstacle to any increase in the flow of private capital and greatly restricted investment possibilities. The annual publication of a report on the international flow of private capital would contribute to a better understanding of the problem.

27. Mr. ENCINAS (Peru) stated that the Peruvian delegation unreservedly supported the joint amendment.

28. Mr. HALIQ (Saudi Arabia) asked for clarification of the request to the Secretary-General. It was not clear whether the report was to deal with the contribution of private capital to economic development in general, i.e., in both capital-exporting and capital-importing countries, or whether only the latter countries would be covered.

29. The CHAIRMAN said that he had participated in the Council's discussions and could assure the Saudi Arabian representative that the Council had considered the question in the broadest possible way. The term "economic development" was to be understood as covering the development of all States associated in international action to expand the world economy.

30. Mr. ARMENGAUD (France) pointed out that the additions to paragraph 6 of the Council resolution proposed in the joint amendment did not affect the nature of the annual report envisaged by the Council. Their only purpose was to ensure that the Secretary-General took into consideration all ideas expressed and all proposals made during the Council's and the General Assembly's discussions, and any views which might be expressed by the International Bank for Reconstruction and Development and the International Monetary Fund, together with any initiatives of the type he had referred to in his first statement, in which one or more Governments were concerned and to which it was desirable to draw the attention of other States Members.

31. Mr. HALIQ (Saudi Arabia) proposed the addition of the words "of capital-importing and capital-exporting countries" after "economic development" to the joint amendment. He felt that it was important to make the point clear. The study in question had originally been conceived as a supplement to the Secretariat's world economic report; it should therefore cover the problem as a whole and show, if such was the case, that the capital-exporting countries benefited from the flow of private capital as much as the under-developed capital-importing countries. The Committee had to be sure that the Secretary-General's report would give a complete picture of the situation.

32. Sir Alec RANDALL (United Kingdom) remarked that the Secretary-General would obviously make a complete study of the situation but that it was equally obvious that he would pay special attention to the under-developed countries, and rightly so since the Council resolution was entitled "Economic development of under-developed countries".

33. Mr. EL-TANAMLI (Egypt) said that the underlying idea of Council resolution 512 B (XVII) was that the flow of capital promoted general economic progress to the advantage of the under-developed countries. There appeared to be no disagreement on that point, and it was in that sense that the joint amendment should be construed.

34. The CHAIRMAN suggested that the point raised by the Saudi Arabian representative would be covered if the words "economic development" in the joint

amendment were replaced by the words "an expanding international economy".

35. Mr. LITRA MERINO (Chile) formally proposed the adoption of that wording.

36. Mr. HALIQ (Saudi Arabia) withdrew his proposal.

37. The CHAIRMAN put the wording proposed by the representative of Chile at the Chairman's suggestion to the vote.

The proposed wording was adopted.

38. Mr. HEGDE (India) said that he was in favour of the joint amendment, except on one point: the Secretary-General could hardly be asked to report on measures which were "under consideration" by States Members and on which they had taken no final decision. It would be very difficult for the Secretary-General to do so, as he could not refer to plans on which he had received no official information from the Governments concerned without a risk of exceeding his authority.

39. Sir Alec RANDALL (United Kingdom) agreed with the Indian representative; he would prefer the words in question to be deleted.

40. Mr. ARMENGAUD (France) pointed out that it was merely a matter of asking the Secretary-General to mention plans which were being publicly considered and which the Government concerned would have no objection to communicating to him. He would be prepared to modify the text of the joint amendment to make that point clear.

41. Mr. HEGDE (India) suggested the wording "on the measures taken or decided to be taken".

42. Mr. FISCHER (Union of South Africa) said he would prefer the use of the words "on the measures taken or under consideration by Governments and communicated by them to the Secretary-General . . . ".

43. The CHAIRMAN suggested that the words "on the measures taken or under consideration by Governments" be replaced by the words "on the measures taken by Governments or announced by them to be under consideration".

That wording was adopted.

44. The CHAIRMAN put the six-Power amendment (A/C.2/L.242) as so amended to the vote.

The amendment as amended was adopted by 48 votes, with 6 abstentions.

45. Mr. EL-TANAMLI (Egypt), introducing the Egyptian delegation's draft amendment (A/C.2/L.243) to Economic and Social Council resolution 512 B (XVII), said that the amendment repeated the actual words used in a statement by the United States representative at the 324th meeting.

46. Mr. STANOVNIK (Yugoslavia) said that he fully approved the United States representative's statement, but noted that in its amendment the Egyptian delegation had added a word to the passage from that statement which, in his opinion, changed its original meaning. The word was "voluntary". Reinvestment could take very different forms, ranging from absolutely free reinvestment, in countries where there was no obstacle to the transfer of income, to forced reinvestment made compulsory by fiscal legislation or prohibition of the transfer of income. All reinvestment, however, regardless of the form it took, was conducive to the expansion of economic activity and an increase in the national income of the country where it occurred. The insertion of the word "voluntary" would be justified in a recommendation to Governments, but the present context was only a statement of fact, and he did not see the need for altering the text of the United States representative's statement.

47. Mr. STRAUS (United States of America) thought that the Egyptian amendment was entirely satisfactory; it would not be acceptable if the word "voluntary" was deleted. While that word had not been used in the passage in question, the idea expressed by the Egyptian delegation was implicit in the statement.

48. Mr. HEGDE (India) expressed approval of the amendment proposed by Egypt; he considered that the word "voluntary" was essential. Even when measures to induce investors to reinvest their profits and earnings were adopted, reinvestment was still voluntary. In any case, it was not in the interests of the under-developed countries to alarm investors by prohibiting the transfer of earnings.

49. Mr. UMARI (Iraq), Mr. O'NAGHTEN (Cuba) and Mr. LIRA MERINO (Chile) expressed their full agreement with the point of view of the Indian representative.

50. Mr. STANOVNIK (Yugoslavia) observed that the legislation of many countries prohibited the export of the full amount of the profits and earnings of foreign capital. The inclusion of the word "voluntary" might give the impression that such practices were condemned. Although Yugoslavia was not involved, he thought it would be unwise to include a statement in the text which was not in accordance with the actual situation in all countries.

51. The Yugoslav delegation did not formally request the deletion of the word "voluntary", but would have to abstain when a vote was taken.

52. The CHAIRMAN put the Egyptian amendment (A/C.2/L.243) to Economic and Social Council resolution 512 B (XVII) to the vote.

The amendment was adopted by 44 votes to none, with 7 abstentions.

53. The CHAIRMAN then invited the Committee to vote on Council resolution 512 B (XVII) as amended during the meeting. He pointed out that the Mexican representative had requested a separate vote on operative sub-paragraph 1 (*a*).

54. Mr. LIRA MERINO (Chile) requested a separate vote on the second preambular paragraph.

The second preambular paragraph was adopted by 42 votes to 5, with 7 abstentions.

Operative sub-paragraph 1 (a) *was adopted by 42 votes to 6, with 5 abstentions.*

The resolution as amended was adopted by 45 votes to one, with 7 abstentions.

55. The CHAIRMAN invited the Committee to consider the joint draft resolution on international tax problems (A/C.2/L.241).

56. Mr. HEGDE (India) said he would vote for the draft resolution, which was entirely in accordance with the views expressed by the Indian delegation at the 326th meeting.

57. Mr. CARANICAS (Greece) said that he could not support the draft resolution, because operative paragraph 3 of the Economic and Social Council reso-

lution which the Committee had endorsed, dealt with the same questions.

58. Mr. ENCINAS (Peru) said that he was prepared to vote for the six-Power draft resolution. The misgivings of representatives who thought that they might be acting contrary to the Council's decision regarding the Fiscal Commission would be removed if it was clearly indicated in the second paragraph of the preamble why the Council had decided, under the terms of its resolution 557 C II (XVIII), to discontinue the activities of the Commission.

59. He also suggested that the words "in collaboration with the specialized agencies and the regional economic commissions concerned" be added in the operative part after the words "Secretary-General".

60. If his suggestions were acceptable to the members of the Committee, he would submit them formally.

61. Mr. FISCHER (Union of South Africa) said that he would like to hear the Secretariat's views on the draft resolution.

62. Mr. BLOUGH (Secretariat) said that, in the Secretariat's opinion, Economic and Social Council resolution 557 C II (XVIII) did not restrict the fiscal work of the United Nations but on the contrary strengthened it. In the preamble to its resolution the Council had in fact stressed the importance of the fiscal aspects of economic problems. In compliance with the Council's wishes, the Secretariat was continuing its fiscal work.

63. He added that in accordance with the programme of work adopted by the Fiscal Commission and the Council, the Secretariat was already carrying out the studies referred to in the draft resolution, which would consequently involve no new expenditure.

64. Mr. FISCHER (Union of South Africa) thought that the statement of the representative of the Secretary-General showed that the draft resolution was superfluous. If the draft resolution was adopted it might strengthen the view that Council resolution 557 C II (XVIII) limited the fiscal work of the United Nations.

65. In his delegation's opinion, the draft resolution should either be clarified or withdrawn.

66. Mr. EL-TANAMLI (Egypt) approved the ideas expressed in the joint draft resolution, but agreed that it was unnecessary to ask the Secretariat to undertake work it was already doing. It would be more appropriate to request the Council to continue the studies and to present its findings to the General Assembly.

67. He therefore proposed that the operative part of the joint draft resolution be amended by replacing the words "the Secretary-General" by the words "the Economic and Social Council", and the words "the Economic and Social Council" in sub-paragraph (*b*) by the words "the General Assembly".

68. Mr. LIRA MERINO (Chile) did not think that the misgivings of the South African representative were justified. In his opinion, the draft resolution was not unnecessary. Although the Secretary-General was already continuing the work started by the Fiscal Commission, it might be useful to specify the studies which were to be carried out.

69. He thought that the Egyptian amendment was very sensible.

70. Mr. HEGDE (India) supported the Egyptian amendment. While the Indian delegation had no doubt that the Secretariat was continuing the work of the Fiscal Commission, it agreed with the Chilean delegation that it was necessary to state what kind of studies were to be carried out and to place special emphasis on the importance of studies related to double taxation, a problem which, as everyone knew, could not easily be solved by bilateral agreements and the solution of which required international action.

71. In reply to a question by Mr. ALFONZO RAVARD (Venezuela), Mr. BLOUGH (Secretariat) explained that the Secretariat did not interpret the joint draft resolution as restricting its fiscal work, but it was afraid that it might be so interpreted at some future date. The amendment proposed by Egypt would seem to eliminate that danger.

72. Mr. ALFONZO RAVARD (Venezuela) said that, that being the case, he would support the Egyptian amendment.

73. Mr. HALIQ (Saudi Arabia) proposed that, in order to avoid misinterpretation of the joint draft resolution, it be linked to Economic and Social Council resolution 512 B (XVII) by the inclusion in sub-paragraph (*a*) of the operative part of a provision to the effect that the Secretariat should take into account the resolution adopted by the Economic and Social Council and by the General Assembly concerning the international flow of private capital.

74. Mr. ARMENGAUD (France) said that sub-paragraphs 3 (*a*) and 3 (*b*) of the Council resolution 512 B (XVII) were specifically concerned with fiscal questions, in particular with the problem of double taxation. While he fully appreciated the reasons which had prompted the six Powers to make their proposal and which had prompted Egypt to submit its amendment, he thought it necessary to point out that the question was really much more complex than the draft resolution seemed to indicate. It was not only in the capital-exporting countries that fiscal legislation had the effect of discouraging investment abroad; taxation in the capital-importing countries also frequently discouraged foreign investment in their territories; this was particularly true in countries where there was taxation on income from intellectual investments. In this context he cited French taxes on services rendered which were imposed on royalties and patent licence fees. That was particularly true of countries where there was very heavy indirect taxation. If the Committee decided to ask the Council to consider those questions, the study requested should not be confined to measures of taxation in force in the capital-exporting countries. He therefore proposed that the draft resolution be broadened by amending sub-paragraph (*a*) of the operative part to read:

"(*a*) Continue the studies on the application by capital-exporting and capital-importing countries of various forms of double taxation affecting the income from investments in under-developed countries".

75. Mr. STRAUS (United States of America) proposed that the meeting be adjourned to enable the sponsors of the draft resolution to prepare a new text incorporating the amendments which they considered acceptable.

It was so decided.

The meeting rose at 6 p.m.

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