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CONTENTS

Chairman: Mr. Ismael THAJEB (Indonesia).

AGENDA ITEM 33

Economic development of under-developed countries (A/5532) (continued):

(d) Accelerated flow of capital and technical assistance to the developing countries: report of the Secretary-General (A/5546, A/C.2/L.739/Rev.3, A/C.2/L.761 and Add.1) (continued)

1. Mr. ROUANET (Brazil) introduced the new text of the revised draft resolution (A/C.2/L.739/Rev.3). He explained that the sponsors had endeavoured to take into account most of the suggestions and comments made by the members of the Committee at its 927th meeting.

2. The first preambular paragraph merely recalled the various General Assembly and Economic and Social Council resolutions on the international flow of capital, without enumerating them as had been done in the case of the previous version. The new text had the advantage of being brief and avoiding the possibility of omissions which might lead to misunderstanding.

3. He drew the Committee's attention to a mistake in the third preambular paragraph: the words "on acceptable terms" should be added after the words "development capital". That change had been included in order to meet the wishes of several delegations.

4. In operative paragraph 1, it had been decided, in order to take into account the New Zealand amendment (A/C.2/L.766/Rev.1), to include the words "against the background of total capital resources" after the words "systematic review". Similarly, the amendment submitted by Algeria and the United Arab Republic (A/C.2/L.768), concerning capital outflows, had been included in that paragraph.

5. Operative paragraph 2 referred to the regional economic commissions, as the Philippine representative had wisely proposed. The role played, and still to be played, by the regional economic commissions in the field of economic development should be taken into consideration. In addition, the sponsors had agreed to omit any reference to General Assembly resolution 1522 (XV), because it was not the only resolution in which the Secretary-General was requested to report annually on matters within his jurisdiction. Lastly, the sponsors had changed the last lines of the paragraph in response to a comment made by the Canadian representative, but the words "in particular international capital" had been added so that the new wording did not depart from their original intentions.

6. Mr. BOLT (New Zealand) thanked the sponsors for their further efforts to improve the text submitted. His delegation noted with appreciation that operative paragraph 1 stated that inflows and outflows of capital were to be reviewed "against the background of total capital resources". Again, operative paragraph 2 now spoke of contributing "to the assessment of the adequacy of capital, in particular international capital, available to the developing countries".

7. Those changes were a step in the right direction. He had the impression that there was still a degree of hesitation in the formula presented concerning the need for a radical and comprehensive assessment of the capital needs and resources of the developing countries, but the logic of events would eventually oblige the United Nations to give full consideration to all the various elements involved. The issues at stake in providing for net increases in capital were so important that the Committee should not allow itself to be diverted by considerations of a short-term political nature. The Committee was dealing with a great economic movement of historical significance.

8. His delegation would have preferred to see, in the last part of operative paragraph 1, reference made to methods for advising the Council on matters relating, not merely to the nature and volume of capital flows, but also to the nature and volume of all the various elements that comprised capital available to developing countries. That had been the sense of his amendment. Moreover, a representative had recently mentioned the possibilities of finding ways to supplement the foreign exchange earnings of developing countries adversely affected by deteriorating terms of trade. Such a scheme must necessarily be based upon a comprehensive knowledge of the volume and nature of a country's total capital resources and, in particular, of the portion of its domestic resources which took the form of foreign exchange. It would have seemed desirable, therefore, for the pre-conditions for studying long-term compensatory finance to have been provided for in the draft resolution.

9. The New Zealand delegation acknowledged the efforts of the sponsors and believed that other steps must be taken to review the flow of capital. It was prepared to withdraw its amendment (A/C.2/L.766/Rev.1) and expressed its appreciation for the co-operation and understanding shown by the sponsors.

10. Mr. EL BANNA (United Arab Republic) thanked the sponsors of the draft resolution for the spirit of compromise they had shown in accepting the

amendment which he had co-sponsored with the Algerian representative (A/C.2/L.768). The amendment emphasized the importance of the problems posed by capital outflows from the developing countries. Those problems should be taken into account in a review such as that requested.

11. Miss SELLERS (Canada) thanked the sponsors of the revised draft resolution for having accepted the amendment submitted by her delegation at the preceding meeting. The discussion which had arisen from that draft resolution showed that a useful dialogue could be engaged in regarding the methods the United Nations should employ to solve the important problems created by the flow of capital and technical assistance to the developing countries. She noted with appreciation that the sponsors had recognized that the Canadian amendment was intended basically to supplement the New Zealand amendment to operative paragraph 1. Thus, the body eventually established would have a broader mandate, which would enable it to take into consideration all the available capital, as well as its nature, volume and role.

12. For those reasons her delegation would vote for the draft resolution as now worded.

13. U Maung MAUNG (Burma) explained the position of the sponsors of the draft resolution with regard to the new amendments they had agreed to include in the text.

14. The inclusion, in the third preambular paragraph, of the phrase "on acceptable terms" was intended to bring the nature and purpose of the proposed review closer into line with the wishes expressed by the developing countries.

15. The inclusion, in operative paragraph 1, of the words "against the background of total capital resources" should be construed in the light of the change introduced in the third preambular paragraph and of the last lines of operative paragraph 2, following the words "in order to contribute to the assessment". Out of context, that change might give the review requested a different slant from that unanimously desired by the developing countries. It should be interpreted in the light of the basic purpose of the draft resolution, namely, a review of suitable measures for accelerating the flow of international capital.

16. Mr. SIMHA (India) noted that the sponsors of the draft resolution had taken into account most of the proposals made by several members of the Committee, many of which were relevant. But it was impossible to go as far along the road of compromise as the New Zealand representative wished. The difficulties involved had just been emphasized by the Burmese representative.

17. The reference, in the second preambular paragraph, to the creation and mobilization of domestic capital and the new change introduced in operative paragraph 1 at the instance of New Zealand could not justify the slightest doubt concerning the need to accelerate the flow of capital and technical assistance. However great they might be, national efforts could not be sufficient to ensure the self-sustaining economic growth of the developing countries.

18. He agreed that the amendments to operative paragraph 2 somewhat extended the scope of the review requested of the Secretary-General, but the very purpose of that review was clearly defined: to contribute to the assessment of the adequacy of capital flows in the light of the objective of the United Nations Development Decade.

19. In submitting the previous version of the draft resolution (927th meeting), the Indian representative had appealed to the delegations which had proposed amendments not to press for the changes requested. The new version of the draft resolution took into account all the opinions expressed. It was therefore to be hoped that it would finally be adopted unanimously.

20. Mr. MONTENEGRO MEDRANO (Nicaragua) said that he would vote for the revised draft resolution, as he would have voted for the original draft.

21. Immediate steps must be taken to compel foreign companies which exploited the natural resources of developing countries to adopt a radical change of policy. It had been Nicaragua's bitter experience that capital invested by foreign companies played only a negligible part in the economic expansion of developing countries. Those countries re-exported almost all their capital and left only a tiny part in the countries concerned. In recent years, the capital they had exported from Nicaragua had amounted to $8 million, while the balance left in the country had not exceeded $50,000. The working and living conditions of the local workers employed by the foreign companies exploiting natural resources were deplorable, as had been established by a recent survey of the mines on the Atlantic seaboard of Nicaragua. The findings of the survey had been such that three Ministers had visited the area and, after seeing for themselves the shocking conditions in which the local inhabitants lived, had asked for the immediate nationalization or closing-down of the mines.

22. That was only one of many examples, and his delegation would vote for the draft resolution in the hope that a stop would be put to that state of affairs.

23. Mr. AYARI (Tunisia) thanked the sponsors for their spirit of co-operation. The new text of the draft resolution, incorporating the amendments proposed by Algeria and the United Arab Republic, was more precise and complete since it specifically mentioned the inflow and outflow of capital, as his delegation had wished from the start.

24. He agreed with the New Zealand representative that compensatory financing measures should be included among capital flows. That point had already been stressed by the Tunisian delegation at the second session of the Preparatory Committee of the United Nations Conference on Trade and Development. If the sponsors of the draft resolution could not see their way to mentioning compensatory financing in their text, he would associate himself with the interpretation proposed in that connexion by the New Zealand representative.

25. On a previous occasion, he had stressed how important it was that all Member States, whether exporters or importers of capital, should provide the Secretariat and the proposed new body with comprehensive and accurate statistics on all capital flows, whatever their nature. If they did not, the constant and systematic review requested in the draft resolution would be of no avail and would not enable the competent organs to formulate the policies to be pursued in that field. The idea of appealing to the goodwill of all States and particularly of the capital-exporting countries should be specifically mentioned in the draft resolution. His delegation therefore pro-

posed that a new paragraph reading as follows should be inserted at the end of the preamble:

"Considering that the full co-operation both of the capital-exporting States and of the capital-importing States in the communication of information and, in particular, of comprehensive and accurate statistics on the bilateral, regional and multilateral flow of capital is a prerequisite for the preparation of comprehensive international statistics and of an adequate international policy on the flow of long-term capital;".

26. However, his delegation was anxious not to prolong the discussion any further; if the sponsors of the draft resolution could not accept its proposal immediately, it would submit an amendment to the same effect when the final text of the resolution came before the General Assembly for adoption.

27. Mr. RENAUD (France) said that he had some comments to make, on behalf of his delegation, on the form and substance of the new version of the draft resolution.

28. In the first place, he presumed that the words "on acceptable terms" which had been inserted in the third preambular paragraph meant "on mutually acceptable terms", for such terms must be acceptable to both parties.

29. Moreover, in the French text of operative paragraph 1, it would be better to use the word "établissement", which was more in keeping with the English and Spanish texts. The word "création" introduced an additional idea which did not seem pertinent at the present stage.

30. As to the substance of that paragraph, stress had been laid on the need for flexibility in referring to the proposed reorganization. The sponsors had borne that in mind to a certain extent and the new text was preferable, in that respect, to the original one. However, his delegation wished to stress that it interpreted the wording adopted to mean that there was still a choice of several possible methods and that the choice made would depend mainly on the discussions at and conclusions of the United Nations Conference on Trade and Development. Once that Conference was over, Member States would be free to consider how far it was necessary to supplement or recast the existing organization.

31. His delegation had no objection in principle to a review of capital inflow and outflow in accordance with the amendment submitted by the Algerian and United Arab Republic delegations, as incorporated in the text, although in its opinion the mention of the flow of capital which had originally appeared in the draft resolution had been sufficient indication that the flow was in two directions. In that connexion, it might sometimes be difficult to keep the inflow and outflow of capital under review, especially in cases where strict exchange control had not been instituted. That, however, was a question of technical arrangements. If the body which was to be established set about comparing inflow and outflow, it could not rest content with performing that purely statistical task. Besides observing movements of capital, it would have to seek explanations for them and determine cause-and-effect relationships. In other words, to return to the Tunisian representative's argument, there were two problems, one of statistics and one of policy.

32. Subject to those few observations, his delegation was in favour of the draft resolution inasmuch as it brought out the interest and importance of a problem to which France had given constant attention ever since it had entered the field of international aid.

33. Mr. BRILLANTES (Philippines) recalled that, at the preceding meeting, his delegation had made two suggestions concerning operative paragraphs 1 and 2, respectively, of the draft resolution. He was grateful to the sponsors for having taken the first of those suggestions into consideration but was sorry they had not acted on the other as well.

34. His delegation had suggested that, in considering the establishment of a standing committee or any other appropriate machinery, the Economic and Social Council should take into account, not only the relevant decisions of the United Nations Conference on Trade and Development, but also the opinions expressed by members of the Committee at the eighteenth session. Since all delegations would have ample opportunity to state their views in detail at the Conference, he did not intend to propose an amendment to paragraph 1 of the draft resolution.

35. Mr. ROUANET (Brazil), speaking on behalf of the sponsors of the draft resolution, thanked all the delegations which had expressed their approval of the new text of the proposal.

36. The sponsors agreed with the Tunisian representative that it was important to have the fullest possible statistics on balances of payments and other subjects. However, they had felt that that idea was already implied in operative paragraph 2 and that it was better not to lengthen the text. He appealed to the Tunisian representative not to press his proposal.

37. The third preambular paragraph, to which the French representative had referred, should be interpreted as referring by implication to "mutually" acceptable terms. On that point, the sponsors had merely used the wording of paragraph 3 (b) of General Assembly resolution 1515 (XV). There should not, therefore, be any difficulty in adopting that wording, and he asked the French representative not to press his suggestion.

38. Lastly, he would be grateful if the Philippine representative did not press his proposal. Operative paragraph 1 of the draft resolution laid the main stress on the forthcoming United Nations Conference on Trade and Development, and it was understood that the opinions expressed by members of the Committee could be reiterated at that Conference, in which they would all be participating.

39. Mr. AYARI (Tunisia) explained that he had merely made a suggestion; there was no question of his submitting an amendment. He had been won over, in particular, by the remarks of the Philippine representative, who had shown that the draft resolution left the door open inasmuch as every delegation would have an opportunity to state its views at the United Nations Conference on Trade and Development.

40. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) said he was glad to have been able to attend a good deal of the discussion on such an important item. The flow of capital was an extremely complex subject for study, and its inherent difficulties were further complicated by many conceptual and methodological problems. The Secretariat had taken careful note of the suggestion by the Tunisian

delegation that the capital-importing and capital-exporting countries should provide fuller and more accurate statistics on the real flow of capital. The question of private capital was the most delicate of all, both because of the commercial secrecy surrounding certain operations and because of the practices followed in countries which were subject to inflation and where foreign currency was rationed out. For those reasons, the Secretariat would welcome any measure calculated to improve the data at its disposal. But it must be expected that a certain amount of uncertainty with regard to statistics would remain.

41. Indeed, the problem was so complex that there had been no need to complicate it further by questioning the objectivity of the Secretariat, as had been done on one occasion. In order to help make matters clearer, he wished to point out that the studies of the international flow of capital were based on information drawn from the Balance of Payments Yearbook, compiled every year by the International Monetary Fund. Other agencies, incidentally, based their studies on the same data. The source of the information was clearly indicated in the first footnote in the study entitled International Flow of Long-term Capital and Official Donations, 1951-1959 (A/4906/Rev.1), which also gave some detailed explanations of that information. Despite that, in its study covering the period 1959-1961 (A/5195/Rev.1), the Secretariat, contrary to what the USSR delegation had said, had made every effort to facilitate the comparison of inflow and outflow, and the presentation of tables 10 and 11 left no room for doubt on that subject. Moreover, the study did not conceal recent developments. He drew attention to paragraph 6 which clearly stated that the net flow of capital of all developed countries to the rest of the world in 1960 registered a substantial advance over 1959, but that the movement was reversed in 1961, when a sharp contraction in the net outflow of United States private capital reduced, on balance, the total amount of such funds flowing from capital-exporting countries, and that, although the net flow into the developed capital-importing countries also declined, net receipts of private capital by the rest of the world none the less fell off substantially.

42. Reference had also been made to the question of the reinvestment of profits. That was a very difficult problem, the solution of which might vary according to the aspects it was desired to single out. The Secretariat had made a fairly detailed study of the situation, and he need only refer to paragraphs 90-92 and 100 of the study covering the period 1959-1961 (A/5195/Rev.1) to demonstrate that the question had by no means been overlooked. The Secretariat had made it quite clear in that connexion that, while full information was available for the United States, that available for the United Kingdom was more limited and information for most other countries was practically non-existent.

43. In clearing up those points, the Secretariat was the first to point out and regret the inadequacy of the information available. The Committee could rest assured that the Secretariat would spare no effort, in co-operation with the International Monetary Fund and the other organizations concerned, to improve the statistics on a subject so important to the formulating of national policies.

44. The Committee would observe that the Secretary-General's second note on the financial implications of the draft resolution (A/C.2/L.761/Add.1) took into account the sponsors' decision to forgo the establishment of a committee of experts. The Secretariat none the less regretted that it would be deprived, for financial reasons, of the advice of a body whose services would have been very helpful. The Tunisian representative, in his statement, had very effectively explained the two operations which were to be undertaken. The first was an operation of statistical clarification; the second consisted in putting to use, in the formation of policy, the results of the first operation. Yet the discussion had shown how difficult it was to separate the statistical from the political aspect because statistics sometimes had strong political implications. The statistical problem should not, therefore, be treated as a separate matter by the Secretariat; rather, the study should be carried out with the help of experts of Governments. The "standing committee" or "appropriate machinery", whichever was set up, would certainly be able to guide the Secretariat in its task. In undertaking its study of the flow of capital, the new body would surely not neglect other factors which were equally in need of statistical and conceptual clarification. The study called for a far-sighted approach in keeping with that adopted by the Committee in making recommendations on long-term policy. He was convinced that the new body would be of great help to the Secretariat in remedying whatever shortcomings there might still be in the studies for which it was responsible.

45. Mr. SOLODOVNIKOV (Union of Soviet Socialist Republics) said that his delegation was glad the Under-Secretary for Economic and Social Affairs had referred in his statement to the summary and conclusions and to tables 10 and 11 of the Secretary-General's study on the international flow of long-term capital and official donations for the period 1959-1961. His delegation had observed that the conclusions did not correspond with the body of the study and that tables 10 and 11 were equally unrelated to the text, and indeed directly contradicted it.

46. An examination of those tables would show that in Africa, in 1960, the increase in foreign investments, including reinvestments, had amounted to 4 per cent of the total supply of foreign exchange, whereas direct transfers from the countries of Africa to other countries, to service the national debt and in payment of dividends and profits on private capital, had represented 11 per cent of the total supply of foreign exchange. Capital imports therefore amounted to 4 per cent, and capital exports to 11 per cent. Moreover, that ratio would have been different if the Secretariat had not included reinvestments among capital inflows, a step which was completely unjustified from the point of view of statistical procedure. The Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD) had already rejected that improper practice. When a foreign company expanded its plant or facilities in a country, it did not import additional capital. When, therefore, the Secretariat included the expansion of an undertaking in a particular country, it distorted the facts. The time had come to follow the example of OECD. An examination of the summary records would show that his delegation had been pressing that point since 1959.

47. A comparison of tables 10 and 11 of the study for 1959-1961 showed that, in 1960, Latin America had received 13.9 per cent of the new capital invested and had exported 15.6 per cent. The tables thus indicated the existence of a capital flow that was not, how-

ever, apparent from the body of the Secretariat study. For the Middle East, the corresponding figures were 18 and 22.7 per cent. It was accordingly clear that the foreign monopolies had in fact taken capital out of those countries, but the data were distorted by the Secretariat, which in its study included reinvestments among capital imports.

48. His delegation acknowledged that the summary at the end of the study was more realistic; it was glad the Under-Secretary had referred to it. However, the conclusions in the summary drew on the OECD data and were not based on the study itself. They were in the nature of an appendix added at the last moment to redress the balance a little. That was why his delegation's attitude on that question remained unchanged.

49. Mr. SIMHA (India) said that he had understood the Under-Secretary to express, in his statement, some disappointment at the change which had been made in operative paragraph 2 of the draft resolution with regard to the group of experts. He himself wished to make it clear that the sponsors had eliminated the reference to a committee of experts purely for strategic reasons; it was their hope that the task in view would be entrusted to as many experts as possible.

50. Mr. CARANICAS (Greece) expressed agreement with the Under-Secretary that the problem under discussion was hard to encompass because of its complexity.

51. As to the studies designed to assess the "adequacy" of the assistance rendered to the developing countries, it had recently been pointed out by OECD that, in any such assessment, three essential factors must be taken into account: the nature of the assistance, the use made of it and the relationship between foreign aid and domestic efforts. It should be noted that the importance of the third factor mentioned by OECD was recognized in the second preambular paragraph of the draft resolution.

52. With regard to the third preambular paragraph, he endorsed the French representative's proposal for the insertion of the word "mutually" before the word "acceptable". Since, as pointed out by the representative of Brazil, the idea of reciprocity was implicit in the wording proposed by the sponsors, there was no reason why that point should not be clearly specified.

53. The present wording of operative paragraph 1 was somewhat clumsy; it would be desirable to move the phrase "to the establishment of a standing committee or any other appropriate machinery" from its present position and insert it immediately after the words "to give prompt and serious consideration". In the French text, the words "qui ferait" should then be replaced by the words "pour faire", and the word "donnerait" by the word "donner".

54. He feared that the expression "developing countries" in operative paragraph 1, after the words "inflow of international assistance and development capital to the", was open to several interpretations; for example, in the Secretary-General's progress report for 1960-1962 (A/5546), some countries had been classified as "developed capital-importing countries". It would be important to know whether those countries were covered by the provisions of paragraph 1.

55. Since operative paragraph 2 referred to the need for making the annual presentation of data on capital flows and aid as meaningful and comprehensive as possible, he felt that, in the performance of that task, due attention should be paid to the currently very serious problem of "tied" aid. A recent OECD report warned against the disadvantages of that form of aid and, in his opinion, it should be given special attention in the preparation of the desired study.

56. Mr. ROUANET (Brazil) stated, in reply to the Greek delegation's remarks, that in the opinion of the sponsors of the draft resolution, the expression "developing countries" was sufficiently clear and was accepted in current United Nations usage. However, the sponsors accepted the proposed drafting change in operative paragraph 1.

57. Mr. FINGER (United States of America) said that his delegation would have been prepared to vote in favour of the draft resolution even before its most recent revision. However, the new version was a decided improvement and the sponsors were to be congratulated on having embodied the New Zealand delegation's ideas in their text. With regard to the third preambular paragraph, he agreed with the representatives of France and Greece that it would have been preferable to refer explicitly to "mutually acceptable terms" but, in the light of the explanations that had been given, the present wording was obviously intended to mean that. His delegation hoped that the data resulting from the review of inflows and outflows of capital would be presented analytically, as the statement by the Under-Secretary for Economic and Social Affairs would seem to indicate. The important question, however, was to determine the true facts and the true figures on the total effect of foreign private investment, including its contribution to production, employment, taxes, exports and import savings. In 1962, for example, the aggregate turnover of the United States firms which had invested capital abroad had been $28,000 million. The creation of such enormous resources had, of course, been economically beneficial to the countries in which those firms had been operating.

58. A certain delegation had reached hasty, naïve conclusions and seemed to be surprised that there was no immediate correlation between the volume of capital inflows and the volume of profits and dividends in any single year. A certain time must elapse before an investment became productive, and statistics were clearly of no value unless they spanned a fairly long period instead of a single year. Furthermore, the movements of capital also included the financial transactions of the nationals of the countries in question.

59. It had also been said that the text before the Committee was open to several interpretations. His delegation, in voting for the draft resolution, would abide by the present wording as set out in document A/C.2/L.739/Rev.3.

60. Mr. UNWIN (United Kingdom) expressed gratification that the adoption of the draft resolution in its present form would not add to the financial burdens of the United Nations. Although his delegation would vote in favour of the draft resolution, that vote would not signify support for the establishment of another standing committee; the text plainly stated that it was for the Economic and Social Council to give consideration to the establishment of "a standing com-

mittee or any other appropriate machinery". The Council was, of course, bound to take into account the results of the United Nations Conference on Trade and Development.

61. It was to be hoped that paragraph 2 of the resolution would result in comprehensive and accurate information becoming available, information which had not always been obtainable in the past. That was more important than forming a committee and was a necessary preliminary to drawing any conclusions in that field.

62. As to the insertion of the word "mutually" in the third preambular paragraph, it was his delegation's view that terms could not be "acceptable" unless they were acceptable to all the parties concerned; the notion in question was implicit.

63. The CHAIRMAN put to the vote the revised draft resolution (A/C.3/L.739/Rev.3), with the modifications announced orally by the sponsors.

The draft resolution, as modified, was adopted unanimously.

The meeting rose at 1 p.m.

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