

# GENERAL ASSEMBLY

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**Chairman: Mr. Toru HAGIWARA (Japan).**

### AGENDA ITEMS 28 AND 12

**Economic development of under-developed countries  
(A/C.2/L.392) (continued)**

**Report of the Economic and Social Council (chapter I,  
section VI, chapters II, III, IV and V) (A/3848, A/  
C.2/L.391) (continued)**

**EXAMINATION OF DRAFT RESOLUTIONS (A/C.2/  
L.391/REV.1, A/C.2/L.392) (continued)**

1. The CHAIRMAN invited the Committee to examine the Byelorussian draft resolution concerning the study of the agreements governing the activities of private foreign companies in the under-developed countries (A/C.2/L.392).

2. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) said that he had already explained the reasons for the submission of the draft resolution in question. His delegation considered that in some cases private foreign capital could be a supplementary source for the financing of economic development, provided the capital was invested under conditions which did not infringe the economic and political independence of the under-developed countries. It was essential therefore that those conditions should be studied, as the International Co-operative Alliance had formally requested at its eighteenth congress. The study recommended in the draft resolution would in no way impair the sovereignty of under-developed countries. It was for them to decide what treatment to accord to the capital invested in their territory. They obviously also had jurisdiction over all questions of taxation. The proposed study would inform interested countries of measures taken in other under-developed countries and might help them to formulate their own policy.

3. As the Committee, at its 567th meeting, had already adopted a draft resolution (A/C.2/L.386 and Add.1 and 2), under which the General Assembly urged Member States to continue working for the establishment of a United Nations capital development fund, he wished to delete from his own text the third preambular paragraph and the closing passage of the operative part, beginning with the words "and also the possibilities".

4. Mr. SOPIEE (Federation of Malaya) noted with pleasure that the Byelorussian representative agreed

with the other members of the Committee that private foreign capital had played and would continue to play an important part in the development of under-developed countries. As he had been willing to amend his text to take account of the Committee's adoption of a draft resolution concerning a United Nations capital development fund, he wished to draw its attention to the draft resolution concerning the promotion of the international flow of private capital (A/C.2/L.390 and Add.1 to 3), which had been adopted by it at its 568th meeting and also dealt with foreign private investment. Governments that wished to do so might perhaps state their views on the questions raised in the Byelorussian draft resolution in connexion with the implementation of the resolution concerning the international flow of private capital. Although he was not opposed to the Byelorussian draft resolution, he accordingly wondered whether the Byelorussian representative might not consider withdrawing it, in order to expedite the Committee's work.

5. Mr. SECADES (Cuba) said that private foreign capital had contributed substantially to his country's development by setting up new industries, promoting the expansion of existing industries and facilitating the training of technicians. His delegation always welcomed any measure designed to promote the economic development of under-developed countries and it had consistently supported the establishment of a United Nations capital development fund. Nevertheless, although he respected the Byelorussian representative's intentions, he would be unable to support the draft resolution, which appeared to be contrary to the spirit and letter of Article 2 (7) of the Charter of the United Nations.

6. The Byelorussian delegation might perhaps consider withdrawing its draft.

7. Mr. RONAN (Ireland) remarked that the ideas in the first two preambular paragraphs of the Byelorussian text were already set out in the draft resolution concerning a capital development fund. The reference in the fourth preambular paragraph to the "exploitation" of natural resources by private foreign companies was an exaggeration, since in actual fact the under-developed countries benefited greatly, and in various ways, from the operations of foreign companies. Furthermore, it was hard to see how the Secretary-General could study "the agreements governing the activities" of foreign companies, as the agreements in question were private contracts and, in his view, outside the scope of study by the United Nations. Similarly, the question of "increasing royalty and other payments" was a matter for negotiation by the companies and the Governments concerned.

8. For those reasons, he regretted that he would be unable to support the Byelorussian draft resolution.

9. U THET TUN (Burma) said he would be able to support the Byelorussian draft resolution, for the

reasons for which he had supported the draft resolution concerning the promotion of the international flow of private capital, if the sponsor agreed to add, at the end of the first sentence in the operative part, the words: "including the problems of royalties and other payments by companies to countries whose natural resources are being exploited".

10. Mr. HALIQ (Saudi Arabia) felt that, as a United Nations capital development fund was not yet in existence, it might not be in the interests of the under-developed countries to alarm those who were at present their only source of capital. The draft resolution was concerned with only one aspect of the problem, whereas the interests of both the countries of investment and the capital-exporting countries should be taken into account; after all, capital was an export commodity too. Moreover, many under-developed countries preferred dealing with private foreign firms to accepting bilateral aid which might involve political dangers.

11. The Secretary-General could hardly study the terms of the agreements governing the activities of private foreign companies, since such commercial contracts were usually secret, and varied greatly from company to company, depending on the type of industry concerned. The Burmese representative's suggestion that the United Nations should study the problems of royalties appeared completely to overlook the nature of such contracts, which were highly complex. It should be borne in mind that the companies always reinvested part of their profits in the country.

12. Mr. ABDEL-GHANI (United Arab Republic) believed that every encouragement should be given to the United Nations to undertake new studies on the flow of private foreign capital. The Byelorussian draft resolution dealt with questions quite different from those covered in document A/C.2/L.390 and Add.1 to 3, and the study it recommended would be extremely useful. He supported the changes made by the Byelorussian representative, as it would hardly be realistic at the present juncture to invite private companies to take part in financing a United Nations capital development fund.

13. The Burmese amendment was interesting, but it might be better to delete entirely the second sentence of the operative part; it was better not to give directives to the Secretariat, which must make impartial and objective studies. Furthermore, the Secretary-General might not be in a position to study the agreements governing the activities of private foreign companies, as those agreements were usually not made public and most of the Governments concerned would be unwilling to transmit them to the United Nations. If the Byelorussian representative did not object, it might be preferable to ask the Secretary-General to study the laws and regulations of various countries governing capital imports and exports.

14. Mr. SCOTT FOX (United Kingdom) remarked that, whatever the sponsor's intentions, the draft resolution could only harm the under-developed countries and reduce the flow of private capital to them. It was based on a philosophy diametrically opposed to that underlying the draft resolution concerning the promotion of the international flow of private capital, which had been adopted by a great majority. The text of the Byelorussian representative—who obviously could have no experience of the working of the capitalist

system—revealed his ignorance of the conditions governing private investment, which were generally not laid down in precise agreements and took due account of existing needs and other factors already being studied and reported upon by the Secretary-General.

15. His delegation would be unable to support the draft resolution.

16. Mr. PHILLIPS (United States of America) said that although the Byelorussian representative had declared that he wanted to aid the under-developed countries, his draft resolution was in fact merely an obstructionist move on the part of the Soviet bloc, similar to the manoeuvres which had taken place at the preceding meeting. The adoption of such a draft by the General Assembly would have the effect of halting exports of private capital to under-developed countries. It was curious that the very countries which refused to transmit information on their own activities in the field of technical assistance to under-developed countries should be asking the United Nations to undertake all manner of studies on the activities of others. The proposal was made for propaganda purposes only, and his delegation hoped the Committee would reject it.

17. Mr. WOULBROUN (Belgium) considered that the draft resolution to a large extent duplicated the draft resolution concerning the international flow of private capital and dealt with matters essentially within the jurisdiction of the capital-importing countries. The agreements referred to in the draft were private contracts and, besides dealing with royalties, might also contain provisions relating to the distribution of dividends to shareholders, national and foreign alike. The United Nations was already studying measures for the avoidance of double taxation, and the International Finance Corporation (IFC) might perhaps be asked to consider some of the questions raised in the draft under discussion.

18. Mr. KAKITSUBO (Japan) noted that many delegations had indicated that their Governments were ready to welcome foreign capital, from whatever source. The draft under discussion would inevitably discourage the export of private capital. Moreover, the Secretary-General would not be in a position to study the agreements mentioned as Governments were not inclined to disclose them.

19. Mr. SERBAN (Romania) observed that the United Nations had already examined the question of private investment on a number of occasions, notably in General Assembly resolution 824 (IX) and in Economic and Social Council resolutions 222 (IX) and 368 (XIII). All those resolutions—and the resolution concerning the international flow of private capital adopted at the 568th meeting—emphasized the need for increasing the flow of private capital to under-developed countries but did not place sufficient emphasis on the need to study the methods, conditions and aims of private foreign investment.

20. As the Colombian representative had pointed out, unofficial statistics were of doubtful reliability, whether they were published by commercial firms or by universities or other national institutions. Only recently, two groups of economists studying the manpower situation in Latin America—one using the International Labour Organisation statistics and the other those of the United States Department of Commerce—had reached entirely different conclusions. The Secre-

tariat would therefore be performing a valuable service if it made an impartial study of the situation, with a view to improving the conditions under which foreign firms were exploiting the natural resources of under-developed countries. For instance, it could hardly be considered normal that in 1951-1956 American undertakings should have drawn profits exceeding \$9,000 million (for an investment of about \$4,000 million) from under-developed countries, whereas their investments in industrial countries (over \$6,000 million) had yielded only \$5,700 million.

21. The recommendations of the Byelorussian draft resolution were in accordance with the principles of the Charter and could help to fill a gap in the measures hitherto adopted by the United Nations. His delegation would therefore support the draft resolution.

22. Mr. VIAUD (France) shared the view of the Malayan and United Kingdom representatives that there was a contradiction between the draft resolution contained in document A/C.2/L.390 and Add.1 to 3 and the Byelorussian proposal which would prevent those who had voted for the one from supporting the other. His delegation could not therefore support the draft resolution.

23. Mr. BOIKO (Ukrainian Soviet Socialist Republic) maintained it was only right that part of the profits derived from the exploitation of the natural resources of under-developed countries should be devoted to the economic development of those countries, and considered it important that the Secretary-General should study practical means of achieving that result. His delegation would therefore vote for the Byelorussian draft resolution.

24. Mr. KAUFMANN (Netherlands) said that the draft resolution was based on the assumption that private companies made vast profits. It should be remembered that often many years elapsed before invested capital began to yield a profit. There were even occasions when foreign companies devoted considerable sums to exploration and prospecting in under-developed countries and then found that the venture was uneconomic. When the operation was successful, the profits were in many cases reinvested locally, and several companies even had their own technical assistance programmes—a form of investment that was not shown in the statistics.

25. Despite the statements to the contrary, several United Nations studies on private investment in under-developed countries were already in existence and provision was made for others, notably, in the draft resolution contained in document A/C.2/L.390 and Add.1 to 3. An investigation of the actual agreements governing the activities of foreign firms in under-developed countries was, as the Saudi Arabian representative had pointed out, too complicated a task for the Secretariat to contemplate undertaking and, in any case, it was questionable whether it had the right to interfere in contracts of a purely private nature.

26. Mr. VILAIHONGS (Laos) also believed that the task would be too complicated. Moreover, as a sponsor of the draft resolution on the promotion of the international flow of private capital, he could not support the Byelorussian draft resolution, the practical effects of which would be contrary to the interests of the under-developed countries.

27. Mr. KAMENOV (Bulgaria) said that there was no doubt whatsoever that foreign companies were making

excessive profits. He could cite numerous examples, especially among the American oil cartels. That situation could not be allowed to continue and all available information on existing arrangements should be collected to facilitate a solution. His delegation would therefore support the draft resolution.

28. Mr. Gopala MENON (India) asked whether it was necessary or desirable for the Secretariat to embark on the study proposed in the Byelorussian draft resolution. The recommendations already made in the draft resolution concerning the promotion of the international flow of private capital were expected to cover all those aspects. He therefore joined the Malayan representative in asking the Byelorussian delegation to withdraw its draft.

29. Mr. PSCOLKA (Czechoslovakia) noted that, in speaking of the Byelorussian draft resolution, several representatives had referred to the draft resolution contained in document A/C.2/L.390 and Add.1 to 3. His delegation had voted against that draft, as it considered it regrettable that efforts were being made to increase private capital investment in the under-developed countries while, at the same time, the establishment of a fund for multilateral assistance was being prevented. It was by no means certain that private capital benefited the economies of under-developed countries; it did not result in the balanced growth of their economies if the capital was invested in the sectors of the economy likely to yield immediate profits. Private capital often hindered the diversification of the economy, and sometimes even its development, since the exploiting companies repatriated the excessive profits they earned. He recognized that foreign capital could supplement the national resources of a country under certain conditions, particularly if measures were taken to ensure that such investments would not impair the political and economic independence of that country.

30. He would vote for the Byelorussian draft resolution as he believed the matter should be made the subject of an exhaustive study. Even if it was not possible to study all the agreements made in the field in question, an examination of the many documents available would be very useful.

31. Mr. ARKADEV (Union of Soviet Socialist Republics) emphasized that his country had no concessions in under-developed countries and that, therefore, his attitude to the question was strictly objective. That could not be said of the United States or the United Kingdom and the very fact that they had opposed the Byelorussian draft resolution was an excellent argument in its favour. Those countries automatically saw in the proposal a threat to the interests of the big companies, banks and capitalist monopolies, whereas all that was envisaged was the preparation of a study, a simple compilation of published information on the activities of foreign private companies in the under-developed countries. There would be no violation of the principle of national jurisdiction—the United Nations had already taken up the matter on several occasions, notably in Economic and Social Council resolution 368 (XIII).

32. The usefulness of the measure proposed in the draft resolution would be evident to anyone who considered the situation in Latin America, Iran, or Saudi Arabia, where rival companies were bidding against each other—which showed that royalties were not



unalterable. However, the chief merit of the Byelorussian draft resolution lay in its having raised the question: the very fact that such a proposal had been formulated in the General Assembly could help the under-developed countries by bringing moral pressure to bear on the capitalist companies. Even if the Byelorussian delegation decided to withdraw its draft resolution, it would have left its mark, and sooner or later the problem would have to be settled.

33. Mr. RAJAPATIRANA (Ceylon) remarked that the law of supply and demand also affected the conditions of private capital investment. The supply of capital was far short of the demand for capital from all parts of the world. Oils, chemicals, non-ferrous metals, etc., yielded high profits and attracted capital. As the representative of a country that did not produce either oil or non-ferrous metals, he was in a position to take an objective view of the draft resolution and he sincerely believed that the under-developed countries were now in a position to obtain better terms from the foreign corporations. It was a matter of judgement whether a study of past agreements would serve a useful purpose and it would be better to withdraw the draft resolution for the moment, without excluding the possibility of considering it again if the situation so required.

34. Mr. SOPIEE (Federation of Malaya) stated that he had not meant to say that the study proposed by the Byelorussian representative could be included in the one that the Secretary-General would be called upon to undertake in pursuance of the draft resolution concerning the promotion of the international flow of private capital. However, in suggesting that the Byelorussian draft resolution should not be put to the vote, he had not been defending the past actions of private companies. The United States and United Kingdom representatives must recognize that those companies had hitherto not distributed their profits very fairly. To be sure, the under-developed countries were able to defend their own interests, but a study of investments would be of great value, since it would lend moral support to the position of those countries in future negotiations. He believed that the draft resolution concerning the international flow of private capital would provide the possibility of undertaking later a study of the kind proposed by the Byelorussian delegation, and the latter would therefore be well advised not to press its proposal, the timeliness of which was open to criticism, but to vote for the draft resolution already adopted by the Committee, when it came up before the General Assembly.

35. Mr. HALIQ (Saudi Arabia) felt that the USSR representative under-estimated the strength of nationalism in the under-developed countries where economic problems were concerned. Why speak of exploitation, when it was no longer tolerated by any Government worthy of the name? During the debate figures had been quoted, including figures of investments of oil companies in Saudi Arabia. But statistics could not reflect all factors, for instance, the fact that technological progress had in the past few years stepped up the world demand for oil and with it the profits of those companies.

36. Mr. ABDEL-GHANI (United Arab Republic) noted that one of the Byelorussian representative's aims had been achieved in that the question in which he was interested had been discussed by the Committee. It was,

therefore, not unreasonable to ask him not to press his proposal. If, however, Mr. Gurinovich did not respond to the appeal made to him by several representatives, perhaps he would agree to alter the wording of the operative paragraph as follows:

"Requests the Secretary-General to include in his forthcoming report on the flow of foreign private capital a study of the conditions, laws and general lines according to which agreements are concluded to govern the activities of private foreign companies in under-developed countries."

37. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) thanked the representatives who had seriously studied his proposal and had realized that his sole aim had been to help the under-developed countries to finance their economic, and, above all, their industrial development. Except for one delegation, which had chosen to invoke political rather than economic considerations, most of those who had criticized his text had, like the Belgian and Malayan representatives, recognized the existence of the problem and, by implication, the value of the proposed study. In its desire to help the under-developed countries, the Byelorussian delegation had no intention of hindering the investment of private capital under honest and equitable conditions. It only wished that the United Nations would undertake a close study of the problem, which it was clearly entitled to do, since, through the Third Committee, it had already affirmed, in paragraph 1 of article 1 of the draft International Covenant on Economic, Social and Cultural Rights (A/3824), that all peoples had the right of self-determination and that by virtue of that right they freely determined their economic development. There were many documents which would enable the Secretary-General to carry out the proposed study. Even if certain agreements remained secret—perhaps because not all their clauses were above reproach—the study would give moral support to countries concluding contracts with private companies and would thus contribute to the improvement which everyone wished to see in the international atmosphere.

38. He appreciated the efforts of the Burmese representative to find a formula of agreement, and, if his proposal gained the Committee's approval, the Byelorussian delegation would be able to accept it and also the text suggested by the representative of the United Arab Republic. Other representatives had felt that there was no need to vote on his proposal, as the idea put forward in it was already embodied in the draft resolution concerning the promotion of the international flow of private capital, which the Committee had adopted at its 568th meeting. If his delegation were sure that such was the case, or if the Rapporteur of the Committee interpreted the draft resolution in question in that sense in his report to the Assembly, his delegation would also give that suggestion its favourable consideration. He would prefer to announce his delegation's final decision at a later meeting.

39. Mr. WOULBROUN (Belgium) said that, as the Byelorussian representative had referred to his speech, he wished to point out that he had merely wondered whether the IFS was not concerned with certain aspects of the questions to which the Byelorussian proposal referred.

40. Mr. ERROCK (United Kingdom), replying to the USSR representative, wished him to understand that the United Kingdom delegation, for its part, judged the proposals before the Committee on their merits, and not according to the delegations which introduced or supported them. His delegation would like to know what would be the attitude of the Byelorussian delegation to the proposals made to it. Should it decide to amend the operative paragraph as suggested by the representative of the United Arab Republic, and thus entirely change its meaning, the United Kingdom delegation reserved the right to re-open the debate in order to make known its position. He also reserved the right to ask the representative of the Secretary-General whether he interpreted the resolution concerning the promotion of the international flow of private capital as empowering him to study the questions raised in the Byelorussian draft resolution.

41. Mr. SOPIEE (Federation of Malaya) considered that the Rapporteur could include no details in his report on how the study to be undertaken under the draft resolution concerning the promotion of the international flow of private capital should be carried out; the debate on that resolution was closed, and its sponsors had deliberately refrained from giving any directions whatever on how the Secretary-General should carry out the study in question.

42. Mr. HALIQ (Saudi Arabia) pointed out that the Rapporteur would mention the draft resolution, whether it were voted on or not.

43. The CHAIRMAN suggested that the consideration of the Byelorussian draft resolution should be adjourned to a later meeting in order to enable the Byelorussian delegation to make known its final position. He invited the Committee to turn once more to the draft resolution of Czechoslovakia and Romania concerning the promotion of international co-operation in the field of trade, which had just been issued in a revised version (A/C.2/L.391/Rev.1) taking into account the suggestions that had been made (569th meeting).

44. Mr. PHILLIPS (United States of America) considered that operative paragraph 2 would be more precise if the words "within the framework of" were replaced by "with the assistance of" and the word "organs" by "committees". The meaning of the latter part of that paragraph would also be clearer if the word "similarly" were inserted between "and" and "studies".

45. Mr. KITTANI (Iraq) thought the expression "as well as" might be clearer than "and similarly".

46. Mr. PSCOLKA (Czechoslovakia) agreed to replace "organs" by "committees". On the other hand, the ex-

pression "and similarly" was not very satisfactory, as it might give the impression that studies on the possibilities of expansion of international trade had already been made in the past. The sponsors of the draft resolution did not accept the words "with the assistance of", since that might be taken to mean that the Council alone could take the practical steps proposed, and that the regional economic commissions would have no initiative in the matter.

47. Mr. PHILLIPS (United States of America) suggested that the sponsors' objection might be met if the word "and" were replaced by "such as". He did not consider that the expression "with the assistance of" would alter the relations between the Council and the regional economic commissions, which had to carry out certain activities under the Council's general control.

48. Mr. SOPIEE (Federation of Malaya) suggested replacing the words "within the framework of" by the word "through".

49. Mr. VIAUD (France) was not sure that the involved wording of operative paragraph 2 would be rendered sufficiently clear merely by replacing the word "and" by the words "such as".

50. Mr. KITTANI (Iraq) thought it would be best to enclose the phrase "on the lines of those already made" between commas.

51. Mr. PSCOLKA (Czechoslovakia) asked whether the United States representative would accept the wording "within the Council and", to replace "within the framework of".

52. Mr. PHILLIPS (United States of America) said he accepted the change.

53. Mr. PSCOLKA (Czechoslovakia), speaking on behalf of both sponsors, said that in operative paragraph 2 the words "within the framework of" would be replaced by the words "within the Council and"; the word "organs" would be replaced by the word "committees"; and the words "on the lines of those already made and" would be replaced by the words "on the lines of those already made, such as".

54. The CHAIRMAN put the draft resolution of Czechoslovakia and Romania (A/C.2/L.391/Rev.1), as amended, to the vote.

The draft resolution, as amended, was adopted unanimously.

The meeting rose at 7.5 p.m.