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Chairman: Mr. Costa P. CARANICAS (Greece).

AGENDA ITEM 12

Reports of the Economic and Social Council (A/7603,
chapters I to VII, X, XI (sections C, D, F, G, H and J) and
XIII; A/7203, paragraphs 764 to 770) (*continued*) (A/
C.2/L.1080)

CONSIDERATION OF THE DRAFT RESOLUTION EN-
TITLED "TAX REFORM PLANNING" (*continued*) (A/
C.2/L.1080)

1. Mr. FABER (Director of the Division of Public Finance and Financial Institutions) said that his services had been dealing with tax matters for some time but the draft resolution covered a wider range than that of the activities hitherto undertaken by the Division of Public Finance. The Division had, of course, made some studies, particularly in co-operation with Harvard University, but they consisted more of repertoires of tax laws or handbooks. What the draft resolution advocated was an economic study of taxation systems in developing countries and their influence on the mobilization of national savings and income distribution.

2. As the Secretariat saw it, the study should cover various aspects: it should determine the over-all effort made in tax matters by the developing countries; it should identify the contribution of taxation to the State's resources; it should seek to determine the effects of tax systems on individuals and households and hence on consumption; it should examine the impact of taxation on categories of taxable persons; and it should deal with tax incentives to investment and to the reinvestment of company profits. Finally, there were also the purely international aspects of the study, namely, those relating to tax conventions.

3. The Division was making every possible effort to implement Economic and Social Council resolution 1271 (XLIII): it had already drafted some monographs and

some staff members had visited Africa in order to review, in consultation with national tax services, means of planning tax reform and adapting it to the planning of State expenditures.

4. The Pearson Commission's report¹ clearly stressed the need to mobilize national resources and, in particular, the need to increase public funds by means of a more effective taxation system, to stimulate the reinvestment of company profits through tax policy and to review and strengthen the network of institutions which contributed to the mobilization and investment of savings, namely, banks, saving funds, co-operative societies, etc.

5. The programme of studies advocated in the draft resolution (A/C.2/L.1080) would probably extend over 1970 and 1971. Once all those studies had been completed, it would probably be necessary to convene an expert group to formulate specific recommendations for the Economic and Social Council.

6. The statement of the draft's financial implications would be submitted to the Committee as soon as it had been approved by the Controller.

7. Mr. GALLARDO MORENO (Mexico) said that the United Nations already seemed to cover all questions relating to taxation. The Secretariat had also embarked on studies on investment incentives in the developing countries. In resolution 1271 (XLIII), the Economic and Social Council had requested the Secretary-General, in consultation with IMF and with the assistance of the regional economic commissions and the United Nations Economic and Social Office in Beirut, to carry out a long-term programme in the field of tax reform. In resolution 1360 (XLV), it had recommended UNDP to continue its contributions to the technical assistance work of the United Nations Secretariat in the budgetary field.

8. The report of a study group on tax agreements between developing and developed countries, and World Bank studies on some American countries, including Mexico and Canada, were also available.

9. The study requested in the draft resolution was a complex one relating both to tax questions and foreign investments in developing countries and to the policy those countries should adopt in the matter. If it was a matter of reforming taxation systems, countries were doing and continuing to do that with the assistance of UNDP, the World Bank and the United Nations and the regional economic commissions. The effects of foreign investments

¹ See Commission on International Development, *Partners in Development* (New York, Praeger Publishers, Inc., 1969).

depended on the policy of each State, in full sovereignty, followed in the matter and the policy differed according to each State's economic and political system.

10. In view of the assistance already afforded by international organizations to the developing countries, assistance which those countries should put to the best possible use, the draft resolution seemed premature, to say the least.

11. Mr. BLAU (United States of America) said that, on the whole, his delegation's attitude to the draft resolution (A/C.2/L.1080) was positive. Before the statement of the Director of the Division of Public Finance and Financial Institutions, however, it had thought that the draft resolution was advocating a more modest study. It had understood, from reading operative paragraph 1, that the Secretary-General would be requested, at the present stage, to prepare a comprehensive study of taxation systems, from the institutional point of view and submit it to the Economic and Social Council which could then form conclusions, possibly on the basis of supplementary studies.

12. At the request of the Council, the Division, in co-operation with the Law School of Harvard University, had already prepared country studies which had been financed through a trust fund. The International Monetary Fund was also examining the effects of their taxation systems on its member States' financial situations and, in the process, collecting a good many useful data.

13. The United States delegation had been inclined to support the draft resolution on the understanding that the purpose of the study requested in operative paragraph 1 was to collect data with a view to determining, at a later stage, the influence of taxation systems on the mobilization of domestic resources and the distribution of income.

14. He would like the sponsors of the draft to make clear what their interpretation was of operative paragraph 1.

15. Mr. ROUAMBA (Upper Volta) said that it would be useful if the Secretariat were to provide the Committee with a document giving its interpretation of the draft resolution. The statement of the Director of the Division of Public Finance and Financial Institutions had not provided all the necessary clarifications. His delegation would like to know, for instance, what IMF's role would be in the collection and evaluation of data on the taxation systems of various countries. It wondered, too, how far the Director's interpretation of operative paragraph 1 really coincided with the sponsors' intention. It would be useful, therefore, to reach agreement on the exact meaning to be given to that paragraph so as to dispel any misunderstanding.

16. Mr. BRADLEY (Argentina) said that the wording of the draft, in the Spanish version at least, was not absolutely clear. According to the preamble, the General Assembly would note with appreciation that the developing countries, which were the majority, had succeeded in financing their investments in economic development through their domestic savings, and also recognized the importance of existing positive experience, including that of the developing countries, in the field of taxation for the drawing up and fulfilment of national development plans during the Second United Nations Development Decade. Then the Secretary-

General was requested to prepare a very comprehensive, and probably very costly, study in order to help those countries to benefit from their own experience. Those were contradictions and confusions the sponsors should clarify.

17. Mr. MARTIN WITKOWSKI (France) said that his delegation had already made some general comments on the draft resolution (see 1288th meeting, para. 11). However, the statement of the Director of the Division of Public Finance and Financial Institutions and the comments of the preceding speakers had given him some new ideas.

18. The French delegation would like to amend operative paragraph 1 as follows:

"1. *Requests* the Secretary-General to prepare, in co-operation with the International Monetary Fund, a condensed study which, in the light of the work already done in this field by organizations of the United Nations system, including those concerning taxation systems applicable to domestic and foreign capital, would determine the influence of the taxation systems in force in the developing countries on the mobilization of domestic resources and the contribution of foreign resources, and on the distribution of income in those countries".

In that way, the usefulness of co-operating with IMF, of taking account of studies already made, and of the contribution of external resources would be recognized.

19. In addition, his delegation considered it necessary to emphasize the technical assistance the United Nations could provide in that field to those countries requesting it. To that end, a third operative paragraph could be added reading:

"3. *Further requests* the Secretary-General to intensify, in co-operation with the United Nations Development Programme, the International Monetary Fund and the regional economic commissions, his assistance in response to requests for advice and support in this matter from interested States".

20. Mr. FABER (Director of the Division of Public Finance and Financial Institutions) remarked that the studies the representative of the United States had referred to were of a rather special nature in that, except for those on Mexico, Brazil, Colombia and India, they concerned above all the developed countries. Moreover, those were old studies, going back to 1958, 1960 and 1962. Since then the situation had changed. Indeed, nothing was more fluid than taxable assets.

21. As for the second preambular paragraph, it was true that the developing countries had financed approximately 85 per cent of their total investment from their domestic savings, but it was not that percentage that was important, but the total volume of investment. From that point of view, there was little reason for satisfaction. Quite on the contrary, it should be a matter of concern that more had not been done. Thus, the draft resolution under consideration was timely in that it stressed the necessity of increasing the flow of investment in the developing countries.

22. Replying to the representative of the Upper Volta, he also believed that it was necessary to agree on the

interpretation to be given to operative paragraph 1. He himself had had the impression that the draft resolution had in mind available public resources, investment incentives, and ways and means of improving the mobilization of savings.

23. As for evaluating the influence of taxation systems on the mobilization of domestic resources and the distribution of income, his Division had fully intended to proceed to that phase of the study only after gathering all the necessary basic information.

24. His Division maintained close relations with IMF and there was no doubt that it would transmit to the Fund the studies it would be required to make. Finally, even if the draft resolution made no mention of regional economic commissions, it went without saying that the Division maintained close relations with them as well as with the UNDP.

25. Mr. MUTEN (International Monetary Fund) said that so far the Fund's resources had not enabled it to undertake as comprehensive a study as the one that had been proposed. Certainly, in the course of its activities, the Fund had collected a substantial amount of documentation concerning tax systems in developing countries and had published a number of studies that had been made available to the public. However, the scope of the work that had been asked for was such that there was a substantial risk that a too ambitious research programme could end up in too superficial a study to be of real value. Therefore, the Fund could not promise to undertake a study of the kind suggested but, as it had always done hitherto, it would be glad to offer whatever assistance it could, in the form of documents, data and opinions, when its help was requested.

26. Mr. BRADLEY (Argentina) thanked the Director of the Division of Public Finance and Financial Institutions for his interesting statement. However, it was important to stress that the figure of 85 per cent, mentioned in the second preambular paragraph on the draft in connexion with investment financed from domestic savings, was still insufficient. Rather than noting "with appreciation" that that percentage had been attained, it would be more appropriate to change the wording of the preamble to express the regret that the figure had not been higher. Moreover, the representative of IMF had stressed that the scope of the task had been such that the Fund had not considered itself capable of undertaking it. The French delegation's position seemed entirely positive and his delegation would be inclined to support the amendment to operative paragraph 1. But the debates had not yet made it possible to form a very clear picture of the work proposed; hence he hoped that the continuation of the debates would facilitate a better understanding of the objective sought by the sponsors of the draft resolution.

27. Mr. ABE (Japan) thought that it would be wise to suspend the debates to allow for consultations. In the meantime, the Secretariat should prepare, if not a precise statement of the financial implications, at least a document indicating the approximate order of magnitude of the expenditures. It would also be necessary to specify whether the Secretariat proposed to have recourse to consultants,

whether the study would be put into effect by its staff only or whether working in collaboration with other competent bodies was contemplated.

28. Mr. EL-ATTRASH (Syria), speaking on behalf of the sponsors of draft resolution A/C.2/L.1080, thanked the Director of the Division of Public Finance and Financial Institutions for his statement. There were a number of studies on one or another particular aspect of the question but, as an analysis of the draft resolution showed, an over-all study was being requested for the first time. Furthermore, it was only a study which was requested, not a programme of assistance to the developing countries. It was for that reason that the sponsors had not embodied the idea advanced by the delegation of France. The representative of the United States had spoken of an institutional study. The study would in fact be not only institutional but also economic, descriptive and analytic. His delegation had already indicated that the study should concern IBRD rather than IMF. Admittedly, IMF had already made some studies, but never apparently an over-all study of the scope suggested. An appeal should, of course, be made for assistance from IBRD, IMF and other organizations, and from universities. The preamble indicated clearly that work had already been carried out on the subject. Again, the sponsors were prepared to consult the delegation of France with regard to the proposed amendment, which would benefit from submission in written form. The delegation of Argentina had perhaps not understood the intention of the sponsors; the figure of 85 per cent had been taken from the report of the Commission on International Development, and far from regarding it as satisfactory, the sponsors would prefer a much higher figure. The intention was not for the moment to develop a programme of tax reform, but simply to carry out a systematic study of the subject which would not be confined to the institutional aspects. If the developing countries were to intensify their efforts in the Second Development Decade, they should also be able to evaluate the progress made, and a study of the type contemplated would be useful. It would also be helpful to evaluate the activities of the developed countries.

29. Mr. STELLINI (Malta) said that his delegation fully understood the thinking of the sponsors of the draft resolution. With other delegations, it believed that operative paragraph 1 should refer to the work already done. Admittedly, the proposed study was of such scope that it would result in a very voluminous document. Rather than deal with all of the developing countries, it should confine itself to a certain number of them. Otherwise, as had already been said, it would run a serious risk of being too superficial.

30. Mr. RUTTEN (Netherlands) said the scope of the proposed study was not yet clear from the discussions. It would therefore be useful to have, as already requested, a Secretariat document indicating the scope of the study and the Secretary-General's interpretation of the task to be assigned to him.

31. Mr. CONSOLO (International Bank for Reconstruction and Development) said that the Bank had not yet made any study dealing solely with the tax system, but had already done some work on various particular aspects of the matter which it would communicate upon request.

32. Mr. VERCELES (Philippines) proposed that the discussion should be adjourned in order to allow the sponsors to undertake the necessary consultations.

33. The CHAIRMAN suggested that, if there were no objections, the discussion of draft resolution A/C.2/L.1080 should be adjourned.

It was so agreed.

AGENDA ITEM 41

International Education Year: report of the Secretary-General (A/7603, chap. XI, sect. D; A/7668, E/4707 and Corr.1 and 2 and Add.1 and 2)

34. Mr. DE SILVA (United Nations Educational, Scientific and Cultural Organization) said that the Secretary-General's note (A/7668) summed up the matter. The documents referred to in the note (E/4707 and Corr.1 and 2 and Add.1 and 2) gave a succinct but complete description of the work carried out in pursuance of General Assembly resolution 2412 (XXIII) and Economic and Social Council resolution 1436 (XLVII). The close relationship between the celebration of International Education Year (1970) and the beginning of the Second United Nations Development Decade should be stressed. A great deal had already been said concerning the importance of education to development, and the report of the Commission on International Development² recognized that, in order to facilitate the economic development of the third world, international assistance in education must be intensified and improved. Member States and non-governmental organizations had already played a constructive part in the preparation for the Year; thirty-seven countries and eighty-two non-governmental organizations had already reported on their plans since the last session of the Economic and Social Council. UNESCO had already expressed its satisfaction at the results obtained, in particular with regard to the co-ordination of the preparatory activities, and had invited Member States and non-governmental organizations which had not yet communicated their plans to enter into contact with it without delay. The General Assembly might find it desirable to take note of the follow-up given to its resolution 2412 (XXIII) and to Council resolution 1436 (XLVII). The activity of Governments and non-governmental organizations should be directed towards studying the relationship between education and society and towards reviewing the training process. It was to be hoped that a contribution would thus be made to intensifying the role which education could play in helping to achieve the objectives of the Second Development Decade. He wished to give the assurance that UNESCO would take all appropriate steps to contribute to the success of International Education Year.

35. Mrs. BLACK (United States of America) said that much had already been accomplished by the United Nations, but that gaps remained, rooted in political philosophy, religious conflict or simple ignorance. The main obstacle lay in the difficulty of respecting the opinion of others. Problems of education were too often overlooked,

and International Education Year should give Governments an occasion for reflection and action to improve their education systems in accordance with Council resolution 1436 (XLVII), which her delegation had whole-heartedly endorsed.

36. The increase in population and the tendency to orient educational systems more towards national requirements than international understanding illustrated the urgency of the task to be accomplished. At present, 50 per cent of the population of the developing countries was under twenty-one years old and, by 1970, 50 per cent of the population of the whole world would be under twenty-five.

37. With regard to the national character of education systems, it should be recalled that the United States was currently spending \$205 million, through the United States Agency for International Development, in technical assistance projects to develop national education systems in forty countries. It should be possible to direct those efforts towards better world understanding. In its essence, education was international. Informed citizens must be trained and the challenge of education must be met.

38. The United States had made some substantial progress and possessed considerable experience in the area. Although that experience was not automatically transferable to other nations, the various education systems did have common concerns. Among the objectives set by the United States for International Education Year were those of ensuring that the education system was responsive to the needs and aspirations of young people, of making it relevant to a changing society, of giving equal opportunities to all and of intensifying research in innovative educational techniques.

39. A group of educators who had just met at Washington had studied three specific problems in that context: reading abilities, education in the cities, and the quality of education in the universities. The literacy rate was high in the United States, but there was an alarming correlation between inability to read, and juvenile delinquency and unemployment. It was only now being realized that reading ability was influenced by many factors, including environmental factors. The use of new techniques should make it possible to eliminate illiteracy in the United States by 1979. It was estimated that within thirty years, 77 per cent of the population of the United States would be living on 11 per cent of the land, whereas a hundred years ago 85 per cent of the people had lived on 95 per cent of the land. That urbanization trend gave rise to complex urban education problems. The proposed solutions encompassed administrative reorganization, the review of relative responsibility at different levels, and the problem of ensuring quality education for those confined in the ghettos. Various programmes were being carried out in Detroit, Chicago and New Haven. Other programmes involved community participation in selection of teachers and curricula and the establishment of local advisory committees in which parents and students participated.

40. With respect to university education, protests had recently been made throughout the world against injustice, oppression and hypocrisy. The university was accused of being autocratic and inflexible, and of paying no heed to legitimate student requests for a more audible voice in

² *Ibid.*, chap. 3, p. 67.

university affairs. Nevertheless, a distinction must be drawn between the main current of the youth movement and certain marginal eddies of a dangerous and evil character that rejected all authority. On the whole, although young people lacked experience, they had high ideals, and their interest focused on the quality of human life and not on material abundance. The issue was not the fact of student revolt, but the response to it. More time should be spent in listening to young people, and the legal age of majority should be lowered. Efforts were now being made in the United States to bring the educational system into closer touch with the critical issues of the times, both national and international. The achievements of United States education were substantial, but the task of improving it was continuous. It had been suggested that related courses should be rotated among faculty members, that more courses should be offered by two or more teachers, and that conflicting views should be placed before students so that they could make their own judgements. In academic curricula a larger place was being given to the liberal arts, philosophy and social studies. African study centres now existed in many universities. That was an indication of the growing importance attached to the quality of human existence. Many United States students were studying abroad, and many students from other countries were studying in the United States.

41. Critical comment was being heard regarding educators, their attitude towards their responsibilities, and the concept of academic tenure. That system ensured almost complete security of tenure for faculty members, but did not encourage them to adapt to an ever-changing competitive environment. Academic freedom must be protected, but academic tenure was not necessarily the best way of doing so. It might be better to introduce a system of contracts, renewable at intervals long enough to rule out the risk of political pressure. Exchange fellowships for educators should be encouraged. All those questions should be examined during the International Education Year. Education must be a lifelong process if it was to encourage a better understanding of the world.

42. Mr. HOVEYDA (Iran) drew the Secretariat's attention to certain improvements which were needed in the original French text of the report of the Secretary-General prepared with the assistance of UNESCO (E/4707).

43. The question of the International Education Year was very important, and it was regrettable that the Economic and Social Council had had only a very short discussion on the subject.³ Paragraphs 437 to 441 of the Council's report (A/7603) contained only platitudes or self-evident statements. The Second Committee must not, in turn, overlook the important aspects of the question; the International Education Year deserved no less. It could be very useful, provided there was active and detailed preparation.

44. Generally speaking, his delegation approved of the programme proposed, while nevertheless regretting that such a long list of projects had been compiled. It would have been better to confine attention to one or two major subjects. In defining the themes to which priority would be given, UNESCO should have distinguished more clearly between the two aspects of the education problem. Education was not restricted to the instruction given in schools and universities; the general education of the public should also be included. The brochures, articles and posters referred to in paragraphs 37 and 38 of document E/4707 were quite useful, but it was more important to examine the part played by the mass media. It would be relevant to determine whether the mass media were contributing effectively to the diffusion of a continuing education, and it was regrettable that no provision had been made for a meeting or symposium on that question. UNESCO could perhaps use the few remaining weeks to make its programme more coherent and supplement it in certain respects.

The meeting rose at 1.05 p.m.

³ See E/AC.6/SR.489-492; see also *Official Records of the Economic and Social Council, Forty-seventh Session, 1624th meeting.*