

UNITED NATIONS

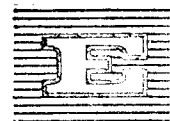
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Seventeenth Session

ECONOMIC COMMITTEE

SUMMARY RECORD OF THE HUNDRED AND FIFTY-SECOND MEETING

Held at Headquarters, New York,  
on Friday, 23 April 1954, at 2.55 p.m.

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PRESENT:

<u>Acting Chairman:</u>	Mr. NOSEK	(Czechoslovakia)
<u>Members:</u>	Mr. CAFIERO	Argentina
	Mr. PETHERBRIDGE	Australia
	Mr. de WINTER	Belgium
	Mr. CHEN	China
	Mr. RIBAS	Cuba
	Mr. PSCOLKA	Czechoslovakia
	Mr. AVILES	Ecuador
	Mr. EL-TANAMLI	Egypt
	Mr. JOBERT	France
	Mr. PRASAD	India
	Mr. SOLLI	Norway
	Mr. ADIL	Pakistan
	Mr. OZGUREL	Turkey
	Mr. SPANDARYAN	Union of Soviet Socialist Republics
	Sir Alec RANDALL	United Kingdom of Great Britain and Northern Ireland
	Mr. HOTCHKIS	United States of America
	Mr. ALFONZO-RAVARD	Venezuela
	Mr. STANOVNIK	Yugoslavia

Representatives of specialized agencies:

Mr. ROUX	International Labour Organisation
Mr. WILLIAMS	Interim Committee of the International Trade Organization

Representatives of non-governmental organizations:

<u>Category A:</u>	Mrs. LUSARDI	International Chamber of Commerce
<u>Secretariat:</u>	Mr. BLOUGH	Principal Director, Department of Economic Affairs
	Mr. DUMONTET	Secretary of the Committee

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES: (c) INTERNATIONAL FLOW OF PRIVATE CAPITAL FOR THE ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES (E/2531, 2546; E/AC.6/L.79/Rev.2, L.81, L.85, L.87, L.88, L.88/Rev.1 (English only) L.89, L.90) (continued)

The CHAIRMAN stated that the Committee had before it a six-Power draft resolution on item 3 (c) (E/AC.6/L.79/Rev.2) and amendments to it submitted by the delegations of Egypt, Argentina and India (E/AC.6/L.85, 87 and 89).

Mr. FRASAD (India) informed the Committee that his delegation had decided to submit a revision of its amendment to the six-Power joint draft resolution. Although that resolution represented a considerable improvement on the four-Power draft resolution (E/AC.6/L.79), he was convinced that its adoption would not materially affect the situation in certain South East Asian countries. The fact remained, as the Secretary-General had pointed out in his report, that possessors of capital were reluctant to invest it in some countries, including India. It was not enough to instruct countries seeking to attract private foreign capital to create the right "investment climate": India had done her utmost in that respect but had been unable to offer investors the certainty and the prosperity they sought. Clearly, time-worn remedies such as those described in the resolution were no longer universally effective: some new specific must be found. In his delegation's view, it lay in the establishment of an institutional framework to organize the flow of capital. The International Bank for Reconstruction and Development had already set an example in channelling the flow of capital from the capital-exporting to the capital-importing countries.

His first major suggestion, therefore, was that that example should be followed by the setting up of an international investment corporation to supplement the work of the International Bank in those sectors where the Bank was not able to operate. His second suggestion was that domestic investment corporations should be set up in individual countries so that private foreign investors could be offered the guarantees which would encourage them to invest

in the under-developed countries. His Government was in fact at that very moment discussing with the International Bank the possibility of setting up such an organization in India.

Such practical measures were the only ones which offered any real hope of progress. The six-Power draft resolution, by contrast, retraced well-trodden ground. If its sponsors could see their way to incorporate some of the alterations which would be proposed in the revised Indian amendment, it would win the support of a number of South East Asian countries.

Mr. SOLLI (Norway) congratulated the authors of the six-Power draft resolution of the co-operative spirit they had shown in their efforts to meet opposing points of view and said that his delegation was on the whole favourably disposed towards the resolution.

With regard to the major proposals orally introduced by the Indian representative, he thought they ought more properly to be considered by the Council at its eighteenth session in connexion with the item on the establishment of an international finance corporation.

Mr. ADIL (Pakistan) said that he had listened with great interest to the Indian representative's statement and was particularly grateful to him for having clarified the substance of paragraph 5 of the Indian amendment (E/AC.7/L.89). The Indian suggestion regarding the setting up of investment corporations in individual countries deserved close attention, but his delegation could not support it for the time being without a closer study of its implications.

His delegation had expressed the view that, if private capital was to flow freely and on a larger scale from capital-exporting to capital-importing countries, it was essential for the flow to be channelled through and guaranteed by some international financial agency and by governments or by both acting together. He was in complete sympathy with the Indian representative's desire to expedite the establishment of the international finance corporation to supplement the efforts of the International Bank, and his delegation had consistently said so on various occasions in the current session, but discussion of that matter might be deferred until the eighteenth session of the Council when it was due for consideration.

Mr. LEGATTE (France) recalled that it had been generally recognized, in the general debate on item 3, that the problem of financing the economic development of the under-developed countries remained unsolved.

The United States representative had pointed out that the part played by Governments was mainly of an advisory nature. The French delegation attached considerable importance to that role. United Nations efforts to promote the flow of private capital would be futile if the Governments of the capital-exporting and capital-importing countries decline their support. Until the time came when the United Nations had acquired sufficient prestige and the spirit of international economic co-operation had progressed considerably, the Council must recognize the limits of its influence. It would therefore be inadvisable for the Council's recommendations on item 3 (c) to be criticized as utopian by those expected to apply them.

The revised joint draft resolution was not ideal and that was understandable because its sponsors had obviously made an earnest effort to reach agreement. Despite its deficiencies it was an improvement on the previous resolutions on the subject adopted by the Council. One of its merits was that it recommended that Governments should communicate to the Secretary-General suggestions for legal formulations likely to encourage private capital investment.

Mr. HOTCHKIS (United States of America) regarded as particularly laudable the Indian representative's statement that India wished to compete with other States in attracting foreign capital for investment.

That representative's comments on the need for organizing an international institution to supervise the international flow of private capital related probably to the proposed international finance corporation. In that connexion he pointed out that the current discussion referred to the flow of private investment capital to the under-developed countries. The international finance corporation was due for consideration at the eighteenth session and he therefore appealed to the Indian representative to withdraw that part of his amendment which concerned the corporation.

The meeting rose at 3.50 p.m.