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Held at Headquarters, New York,
on Wednesday, 28 April 1954, at 10.35 a.m.

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PRESENT:

| | | |
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| <u>Chairman:</u> | Sir Douglas COPLAND | (Australia) |
| <u>Members:</u> | Mr. CAFIERO) | |
| | Mrs. FLOURET) | Argentina |
| | Mr. PETHERBRIDGE | Australia |
| | Mr. WOULBROUN | Belgium |
| | Mr. C.S. CHEN) | |
| | Mr. CHA) | China |
| | Mr. RIBAS | Cuba |
| | Mr. PSCOLKA | Czechoslovakia |
| | Mr. AVILES-MOSQUERA) | |
| | Mr. CONCHA) | Ecuador |
| | Mr. EL-TANAMLI) | |
| | Mr. MARZOUK) | Egypt |
| | Mr. LEGATTE | France |
| | Mr. PRASAD) | |
| | Mr. BHANDARI) | India |
| | Mr. SOLLI | Norway |
| | Mr. ADIL) | |
| | Mr. KHAN) | Pakistan |
| | Mr. OZGUREL) | |
| | Mr. AKANT) | Turkey |
| | Mr. SPANDARYAN | Union of Soviet Socialist Republics |
| | Sir Alec RANDALL) | |
| | Mr. BARNES) | United Kingdom of Great Britain and Northern Ireland |
| | Mr. HOTCHKIS | United States of America |
| | Mr. ALFONZO-RAVARO | Venezuela |
| | Mr. STANOVNIK | Yugoslavia |

Representatives of specialized agencies:

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| Mr. ROUX | International Labour Organisation |
| Mr. McDOUGALL | Food and Agriculture Organization |
| Mr. ARNALDO | United Nations Educational, Scientific and Cultural Organization |

PRESENT (continued):

Representatives of non-governmental organizations:

| | | |
|---------------------|--------------|---|
| <u>Category A:</u> | Mrs. LUSARDI | International Chamber of Commerce |
| | Miss KAHN | World Federation of Trade Unions |
| <u>Secretariat:</u> | Mr. BLOUGH | Principal Director, Division of Economic Affairs |
| | Mr. CAUSTIN | Deputy Director, Division of Economic Stability and Development |
| | 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.3, L.87, L.93)(continued)

The CHAIRMAN drew attention to the revised text of the six-Power draft resolution on the international flow of private capital (E/AC.6/L.79/Rev.3).

Mr. CAFIERO (Argentina), Mr. PRASAD (India) announced that they would withdraw their amendments to the above resolution.

Mr. EL-TANAMLI (Egypt) pointed out that the joint draft resolution satisfactorily reproduced the ideas expressed in the Egyptian and Indian amendments. It appeared to him, however, that the thought of the sponsors might be more faithfully rendered if the words "chaque fois que les circonstances s'y prêtent" in paragraph 3 were replaced by the words "le cas échéant".

The CHAIRMAN said that the Egyptian representative's comment would be taken into account.

Mr. HOTCHKIS (United States of America) paid a tribute to the team spirit which had inspired both the delegations sponsoring the draft resolution and those submitting amendments to it. The revised text now embodied most of the ideas put forward. As one of the original sponsors of the draft resolution he would be glad to vote in its favour.

Mr. CAFIERO (Argentina) regretted that the Argentine amendments to the preamble of the joint draft resolution (E/AC.6/L.87) had not been adopted. His delegation also had reservations concerning paragraph 2 (a), which should have contained some reference to the measures outlined in the latter part of paragraph 1 (a). The resolution might have included a statement that the recommendations should be considered in the light of the needs of the countries concerned. Certain drafting changes should also be made in the Spanish text of paragraph 1.

He asked for an explanation of the following terms: "investment for productive activities" in the second paragraph of the preamble; "unduly

burdensome taxation" in paragraph 1 (a); "avoid discrimination against foreign investments" in the same paragraph; and "measures on taxation that will reduce progressively international double taxation" in paragraph 2 (e). If those points could be satisfactorily explained his delegation could vote in favour of the draft resolution.

Mr. AVILES-MOSQUERA (Ecuador) agreed in principle with the revised text of the draft resolution but shared the views expressed by the Argentine representative that in some cases the Spanish text should be brought more into line with the English text. In particular, in paragraph 3 (c), the phrase "providing for the insurability of certain non-business risks" should be more clearly expressed in Spanish.

Mr. HOTCHKIS (United States of America), in reply to the Argentine representative, said that "productive activities" could only be explained as those activities carried on with the help of private foreign capital which were in themselves calculated to be productive.

Secondly, the question of "unduly burdensome taxation" had already been discussed at the Inter-American Conference at Caracas in March 1954 at which Argentina had been represented. The United States understood that term in the same sense as it had been used in the declaration made at that conference.

The same might be said of the term "discrimination" against foreign investment. It meant anything that could be construed as unfair to competitors who would otherwise be placed on an equal footing.

With regard to the question of double taxation, he recalled that the income tax regime of the United States was based upon the "citizenship" rather than the "source" concept. Foreign income accruing to citizens and residents was taxed in the same way as income from United States sources. As it was not unaware of the inequity of double taxation the United States sought to avoid it through a foreign tax credit system. A taxpayer was allowed credit against United States tax on foreign income for income taxes paid to foreign countries on that income. The countries that were the source of income were thus given a prior right to tax income produced within their jurisdiction.

In agreeing to a resolution calling for measures within the framework of existing institutions, to reduce and eliminate double taxation, the United States did not subscribe to the theory that the resolution was meaningless unless the right of taxation was granted exclusively to the countries which were the source of income. The right of the country of citizenship to tax income did not in itself constitute double taxation. So long as that country, through a tax credit system or other device recognized the prior right of the source country to tax, double taxation was avoided.

The United States recognized that its existing laws had not always resulted in the complete elimination of double taxation. Proposals of the Executive Department of the Government now pending before Congress included measures which, if adopted, would go far to achieve the purpose of the resolution.

Mr. WOULBROUN (Belgium), summing up the information already given on the subject by his delegation, said that in Belgium certain income from foreign sources was taxed at a lower rate than domestic income and that arrangements had been made by bilateral conventions for tax on certain types of income paid abroad to be payable in only one of the countries concerned. While it supported the resolution, the Belgian delegation did not subscribe to the theory that all income of foreign origin should be exempted from income tax in the capital exporting country, since that principle would be contrary to fiscal equity as his country understood it.

Mr. RIBAS (Cuba) congratulated the sponsors of the resolution and delegations which had submitted amendments on their spirit of co-operation and expressed support for the revised joint draft resolution with the same reservations concerning the Spanish text which had been voiced by previous speakers.

Mr. ALFONZO-RIVARO (Venezuela) thought that care should be taken to find out the original meaning of some of the terms employed in the resolution and in that connexion agreed with the United States representative's explanations of the terms used at the Caracas Conference. He agreed that the Spanish text could be improved in some places.

Mr. CAFIERO (Argentina) requested that a separate vote should be taken on the second paragraph of the preamble and on paragraphs 1 (a), 2 (a) and 2 (e) of the operative part of the draft resolution.

The second paragraph of the preamble was adopted by 13 votes to 2, with 3 abstentions.

Paragraph 1 (a) was adopted by 13 votes to 3, with 2 abstentions.

Paragraph 2 (a) was adopted by 14 votes to 2, with 2 abstentions.

Paragraph 2 (e) was adopted by 13 votes to 2, with 3 abstentions.

The draft resolution as a whole was adopted by 15 votes to 2, with 1 abstention.

Mr. OZGUREL (Turkey) explained that he had voted in favour of the draft resolution because of the importance which his country had always given to the subject of private capital investment. He thanked the United States delegation for the spirit of co-operation which it had shown and which had made the resolution acceptable to the large majority. It was a proof that the United States was fully alive to the international responsibilities which devolved upon that great country.

Mr. PRASAD (India) said that the revised text of the draft resolution was a compromise which perhaps did not give entire satisfaction to all delegations. However it did provide a better balance between the obligations laid upon the exporting and importing countries and his delegation had voted in favour of it.

The United States representative had said at a previous meeting that there appeared to be a difference of philosophy within the Committee between those who thought that private capital was of assistance to the under-developed countries and those who did not. The Indian delegation, for its part, agreed as to the objectives of private capital investment but had differed slightly on the methods to be used to attain that objective.

Mr. STANOVNIK (Yugoslavia) said that his delegation had abstained from voting on the second paragraph of the preamble because it believed that although the international flow of private investment for productive activities could, in certain cases, contribute to the raising of living standards, that result did not

necessarily follow. Similarly, private capital investment could lead to a diversification of agricultural and industrial production but economic history showed that the result had often been the reverse. He could not agree to the inclusion in the resolution of statements which were not universally true.

He had voted against operative paragraph 1 (a) because he believed legislation and administrative practices to be wholly within the domestic jurisdiction of States and because the sub-paragraph appeared to imply that the capital-importing countries were imposing unduly burdensome taxation and were discriminating against foreign investments, of which there was no proof. In any case taxation was a domestic matter and high taxation was one of the means by which the under-developed countries increased their revenue and accumulated the resources they needed.

The Yugoslav delegation had abstained in the vote on the resolution as a whole because although it was aware of the existence of problems in the field of international investment, it did not think that the measures proposed could contribute to their solution.

Mr. SPANDARYAN (Union of Soviet Socialist Republics) said that his delegation had voted against the resolution because although it did not deny that foreign capital could play some part in the economic development of under-developed countries, it believed that part to be a minor one and that the main part should be played by the exploitation of the natural resources of the countries concerned and the development of fruitful international trade relations. Furthermore the resolution would enable capital-exporting countries to interfere in the internal affairs of capital-importing countries.

Mr. CAFIERO (Argentina) said that his delegation had abstained from voting on the second paragraph of the preamble for the reasons which had led it to suggest an amendment thereto (E/AC.6/L.87). It had abstained in the vote on operative paragraph 1 (a) for the reasons given by the representative of Yugoslavia and similarly in the vote on operative paragraph 2 (a) because it did not cover all the obstacles in the capital-exporting countries to investment in the capital-importing countries. It had also abstained from voting on operative paragraph 2 (e) because taxation lay within the domestic jurisdiction of States.

In spite of those reservations it had voted for the resolution as a whole in response to the prevailing spirit of understanding and the express appeal of the highly developed countries and more particularly of the United States of America. His country, he noted, had already in fact complied with the recommendations in the resolution and he therefore hoped that the capital-exporting countries would adopt corresponding measures. He believed that the resolution could be improved and reserved his delegation's right to make proposals on the same subject when the item was discussed by the General Assembly.

Mr. ADIL (Pakistan) observed that since the resolution in its present form was the result of a series of concessions to opposing opinions, it would not be surprising if no delegation agreed with all of it. Although he considered that the wording of operative paragraphs 1 (a) and 4 were too vague to permit of precise interpretation, he had nevertheless voted for the resolution in the hope that it would lead to a genuine increase in the international flow of private investment capital.

PRODUCTION AND DISTRIBUTION OF NEWSPRINT AND PRINTING PAPER: REPORT BY THE SECRETARY-GENERAL UNDER COUNCIL RESOLUTION 423 (XIV) (E/2543, E/L.587, E/AC.7/L.196, E/AC.6/L.92); CHAPTER V, SECTION M AND DRAFT RESOLUTION 6 OF CHAPTER VI OF THE REPORT OF THE RAPPORTEUR ON FREEDOM OF INFORMATION (E/2426)

Mr. RIBAS (Cuba) noted that the Rapporteur on Freedom of Information had estimated that world newsprint requirements in 1960 would exceed 13,000,000 metric tons (E/2426, page 45). It was stated in ECLA's annual report for 1954 that even if imports were maintained at the present level and all plans for expansion were **successfully** carried out, Latin America would be suffering a dire shortage of paper and pulp by 1965. It was essential, therefore, that that region should seek to produce enough paper and pulp to satisfy its own actual and potential needs.

ECLA had been studying that possibility in co-operation with FAO, the Technical Assistance Administration and other agencies and organizations, and a meeting of experts was to be held in Buenos Aires in September 1954 to study all aspects of the production of pulp and paper (E/2543, page 5). It appeared likely that it would prove possible to use some tropical and sub-tropical hardwoods and

sugar-cane bagasse as raw materials for the manufacture of pulp and paper, and many special studies were to be made in that connexion in Mexico, Brazil and Cuba, while manufacturing tests were to be carried out by the Forest Products Laboratory of the United States Department of Agriculture. Chapter VII of ECIA's report (E/CN.12/294/Rev.2, page 64) contained some interesting information concerning possibilities in Cuba, as a principal source of bagasse.

In view of Cuba's present and future role in the pulp and paper industry, his delegation had been interested in the French draft resolution on the production and distribution of newsprint and printing paper (E/L.587, page 7, draft resolution VIII), and wished to propose certain amendments to it (E/AC.6/L.92). It felt that it would be only appropriate to include mention of the United Nations in the first paragraph of the preamble, and to add a second paragraph mentioning the work being done by ECIA in co-operation with FAO and the Technical Assistance Administration, and that the remainder of the resolution should be brought into line accordingly. He hoped that the French delegation would be able to accept those amendments.

Mr. McDOUGALL (Food and Agriculture Organization of the United Nations) said that the Conference of FAO had discussed pulp and paper problems at its seventh session in Rome in November, in the light of a preliminary report on World Pulp and Paper Prospects and Resources prepared by the Secretariat of FAO in collaboration with the Secretariats of UNESCO, the Regional Economic Commissions for Europe and Latin America, the International Bank and other international agencies. The Conference had requested the Director-General of FAO to transmit the final report to the Economic and Social Council: the report was now complete but had not yet been circulated to Governments of member States. It reviewed the action taken to date by various United Nations organs and specialized agencies in connexion with pulp and paper problems; it attempted to assess the probable trend of demand for pulp and paper in each of the main regions of the world during the coming decade, and reviewed the fibrous material resources of

those regions and their plans for increasing productive capacity - it foresaw, in fact, a gap between production and requirements. The report considered some of the main problems affecting the establishment of new capacity in less developed areas, and summarized the main conclusions reached by the FAO Pulp and Paper Survey Missions which had visited and reported upon the situation in 24 countries.

The report thus drew upon many sources and presented the views, work and experience of all the United Nations organs and specialized agencies interested in the subject of newsprint and printing paper. FAO believed that it would be of great interest to all Governments members of the Council and would greatly facilitate consideration of the item under discussion; its Director-General would therefore be very grateful if the Council would defer further consideration of that item until its eighteenth session in order to enable Governments to study the report which he had described.

Mr. LEGATTE (France) said that, while the FAO representative's suggestion had some merit, the Committee should preferably take some action on the item at the current session, which would in no way prejudice any action it might decide to take at the following one after it had examined the report.

The French delegation had sponsored draft resolution VIII (E/L.587), for which the Rapporteur on Freedom of Information had been responsible in the first place. When the price of newsprint had risen abruptly in 1951, some countries, France among them, had been seriously alarmed and the Council had been asked at its thirteenth session to take action. When the matter had come up for further consideration at the following session, the price had fallen and the short-term problem had virtually disappeared. At the current session the situation was practically the same as it had been in 1952: the price was too high, but there was no immediate shortage, and the situation, from the Council's point of view, with regard to pulp and paper was similar to that with regard to other commodities with which it was concerned. On the other hand, the FAO representative's statement seemed to foreshadow a somewhat pessimistic report on the long-term prospects. Hence, continuing study of

the matter was to be welcomed. The results should be awaited before the need for long-term recommendations was considered. The general spirit of draft resolution VIII was, therefore, commendable, especially if taken in conjunction with the Cuban amendments thereto (E/AC.6/L.92).

Paragraph 1 (a) of the operative part of draft resolution VIII asking FAO to continue to provide services and advice was apposite, but he doubted the wisdom of sub-paragraphs (b) and (c). FAO was fully aware of its responsibilities and might be left to make its own arrangements within its own programme. However, he would not press for their deletion, out of deference to the Rapporteur. The Cuban amendment to operative paragraph 2 was excellent.

Mr. WOULBROUN (Belgium) agreed with the French representative that the adoption of a resolution such as draft resolution VIII as amended by Cuba would not prejudice further discussion of the matter at the following session. He also concurred in that representative's view that sub-paragraphs (b) and (c) were unnecessary. If the problem was a long-term one, it would be unwise to press for early publication of a study which itself must be done on a long-term basis. The TAB and FAO might well be left to decide whether the study should be carried out under the regular or the expanded technical assistance programme. The expanded programme had become one of the most important United Nations activities and would certainly continue and grow; but it depended on the Governments' voluntary contributions and therefore too much pressure should not be exerted on it to execute special projects.

Mr. RIBAS (Cuba) agreed that there was no reason to refrain from taking some action which would not prejudice further discussion of the matter at the following session. It should, however, be borne in mind that the agenda of the eighteenth session was very heavy. He could not support the FAO representative's suggestion, but he would not oppose it.

Mr. SOLLI (Norway) explained that Norway's position as a newsprint-exporting country did not prevent it from favouring the expansion of production where natural conditions favoured such expansion at relatively low cost. An expansion of pulp production that depended mainly on protection would not ensure low prices, Norway's main concern. Any recommendation made by the Council should allude to the desirability of increasing production only where natural resources would ensure competitive prices. The FAO representative's suggestion deserved consideration, but the agenda for the eighteenth session was so heavy that some action should preferably be taken at the current session.

Sir Alec RANDALL (United Kingdom) expressed his appreciation of the Secretary-General's report on production and distribution of newsprint and printing paper (E/2543). His Government would heartily welcome expanded production of pulp and paper in under-developed countries, where feasible and necessary, but felt that the estimates of future requirements had been considerably exaggerated and did not entirely accept the view that there was a likelihood of a shortage of newsprint and printing paper. It believed that ordinary commercial development could cope with most prospective requirements and that it would be unwise to set up uneconomic sources of those commodities. He must warn against the premature acceptance by the Council or any other international organization of far-reaching schemes for which there was no firm statistical justification.

The FAO representative's suggestion should be borne in mind, but future consideration of the FAO report would not be prejudiced by taking immediate action on draft resolution No.6.

Mr. PETHERBRIDGE (Australia) reminded the Committee of the very large expenditures involved in the installation of pulp and paper plants. Untimely expansion might well lead to heavy financial loss and economic distress. The existing industry would probably be able to cope with requirements. There might be temporary shortages, but they would be

unlikely to be serious. In any case, such shortages would be less dangerous than over-expanded production. Long-term schemes for expansion should not be encouraged until the estimates of future requirements were a great deal more exact. Some of the problems experienced in the past might have been due to such factors as currency difficulties rather than specifically to shortages, especially in the case of spot-market consumers of newsprint. Draft resolution VIII appeared to have been based on that approach. His delegation favoured it in general, but agreed that operative paragraphs 1 (b) and 1 (c) should be deleted, for the reasons given by the Belgian and French representatives and for additional reasons of his own.

Mr. CHA (China) also commended the Secretary-General's report, and the statement by the FAO representative. He asked why FAO was apparently not collaborating with the ECAFE Secretariat. Countries in the ECAFE region badly needed newsprint and paper for school textbooks. He supported previous speakers with regard to the FAO representative's suggestion; the Committee might usefully take action at the current session.

Mr. LOPEZ (Philippines), Rapporteur on Freedom of Information, said that the debate had shown that there was no short-term, but a continuing long-term, problem with regard to newsprint and printing paper, and that, consequently, the Council should keep it under review. There were two aspects of the long-term problem: the need to expand productive capacity to cope with the continuous expansion of newspaper requirements and the need to improve the position of the spot-market consumer of newsprint hampered by concerns consuming the greater proportion of the newsprint produced.

He had no strong objection to the deletion of operative paragraph 1 (b), as that would not affect the substance. Paragraph 1 (c) was more important in the context, as it stressed the systematic expansion of production capacity and the planning of technical assistance. The United States amendment thereto (E/AC.7/L.196) was an improvement. A compromise might be reached by the deletion of sub-paragraph (b) and the adoption of the United States version of (c).

It was true that there was no reference in the Secretary-General's report (E/2543) to collaboration between ECAFE and FAO, an omission pointed up by the reference to FAO's co-operation with ECLA in the Cuban amendment (E/AC.6/L.92). The objection was not serious, since there was a constant interchange of information among the regional economic commissions, so that ECAFE would undoubtedly make use of ECLA's work on the matter.

He thanked the Committee for taking action on the item at the current session. As the Rapporteur on Freedom of Information, he would wish to see some resolution on the greater production and more equitable distribution of newsprint and printing paper included in the general resolution on freedom of information drafted by the Social Committee.

The CHAIRMAN said that he had asked the Secretariat to prepare a new draft based on the suggestions made during the debate.

The meeting rose at 12.50 p.m.