

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/C.2/328
20 May 1952

ENGLISH

ORIGINAL: ENGLISH/
FRENCH

COUNCIL COMMITTEE ON
NON-GOVERNMENTAL ORGANIZATIONS

GOVERNMENT FUNDS AND PRIVATE INVESTMENT

Statement submitted by the International Chamber of Commerce
a non-governmental organization having consultative
status in category A

The Secretary-General has received the following statement, which is circulated in accordance with paragraphs 22 and 23 of Council resolution 288 B (X):

Dated: 14 May 1952
Received: 16 May 1952

The following resolution entitled "GOVERNMENT FUNDS ARE NOT A SUBSTITUTE FOR PRIVATE INVESTMENT" was adopted at the 77th session (13-14 May 1952) of the Council of the International Chamber of Commerce:

Private risk capital is undoubtedly needed by under-developed countries. It will not flow there, nor is it reasonable to expect that it should, unless the governments of the countries concerned are willing to create the favourable "climate" in which such capital can operate. Private lending has great advantages in many cases over intergovernmental loans, in so far as private lending will more readily combine the provision of capital with both technological and managerial skills.

There are growing indications in recent years, however, that many under-developed countries prefer to secure foreign capital for the development of industry generally through intergovernmental rather than through private channels. There are also indications that governments of some of these countries do far less than is in their power to attract private capital because of their confident expectation that they will be able to secure an adequate volume of foreign capital from public sources. Hence principles of fair

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treatment of private foreign investors, such as are formulated in the ICC's Code (Brochure 129) are being continually disregarded. The result is a far smaller flow of capital throughout the world than would be the case if private investors were given every legitimate encouragement by governments of both investee and investor countries to engage in foreign ventures.

In November 1951 the Council of the ICC gave a powerful endorsement to the principle of sanctity of contracts in international relations. Today it wishes to draw the attention of the governments of capital-exporting and capital-importing countries alike to the fact that public funds should not normally be regarded as a substitute for private investment. There are particular fields of economic development where intergovernmental loans may have a major role to play. A far wider scope, however, is that of private business investment which has a dynamic quality which cannot be equalled by any other form of investment.

No other practical measure could, in the opinion of the ICC help more at this time to improve the atmosphere and pave the way for a revival of private capital movements than a clear statement on the part of governments of capital-exporting countries (1) that they do not regard government loans or grants as a substitute for private capital, and (2) that in the allocation of such public funds as they may make available to foreign countries, preference will be given to countries whose governments strictly adhere to general principles of fair treatment of private foreign investment.
