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ACCELERATED FLOW OF CAPITAL AND TECHNICAL ASSISTANCE TO THE DEVELOPING COUNTRIES: REPORTS OF THE SECRETARY-GENERAL

Report of the Second Committee

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1. At its 1336th plenary meeting, on 24 September 1965, the General Assembly allocated to the Second Committee agenda item 38 entitled "Accelerated flow of capital and technical assistance to the developing countries: reports of the Secretary-General".
2. The Committee considered this item at its 995th to 999th and 1001st meetings, held from 29 November to 1 December 1965.
3. In considering the item, the Committee had before it two notes by the Secretary-General (A/5767, A/6085); a report of the Secretary-General on measurement of the flow of long-term capital and official donations to developing countries: concepts and methodology (A/5732); a report of the Secretary-General on international flow of long-term capital and official donations, 1960-1962 (E/3917/Rev.1); a report on the international flow of long-term capital and official donations, 1961-1964 (E/4079/Rev.1 and Rev.1/Add.1); the fourth and fifth reports of the Secretary-General on the promotion of the international flow of private capital (E/3905 and Add.1, E/4038 and Add.1) and the relevant parts of the reports of the Economic and Social Council to the General Assembly at its nineteenth and twentieth sessions.^{1/}

^{1/} Official Records of the General Assembly, Nineteenth Session, Supplement No. 3 (A/5803), chapter V, section I; *ibid.*, Twentieth Session, Supplement No. 3 (A/6003), chapter IX, section I.

4. The Committee also had before it two draft resolutions under this item.

I. FINANCING ECONOMIC DEVELOPMENT

5. At the 995th meeting, Dahomey and the United Republic of Tanzania submitted a draft resolution (A/C.2/L.822), which reads as follows:

"The General Assembly,

"Recalling its resolutions 1318 (XIII) of 12 December 1958 on 'Promotion of the international flow of private capital to developing countries', and 1710 (XVI) of 19 December 1961 on 'United Nations Development Decade: a programme for international economic co-operation',

"Having considered the recommendations contained in annex A.IV.12 on 'Promotion of private foreign investment in developing countries' of the Final Act of the United Nations Conference on Trade and Development,

"Noting with interest the fourth and fifth reports of the Secretary-General on the 'Promotion of the international flow of private capital' (E/3905 and Add.1 and E/4038 and Add.1),

"Reaffirming that direct private foreign investment may contribute to the economic diversification and development of private-capital-importing developing countries and to the accelerated transfer of technical and managerial know-how to these countries,

"1. Endorses the recommendations contained in annex A.IV.12 of the Final Act of the United Nations Conference on Trade and Development;

"2. Calls on Governments to give due consideration to the measures and actions for the promotion of private foreign investment in developing countries recommended by the above-mentioned recommendation of the United Nations Conference on Trade and Development;

"3. Requests the Secretary-General to keep in view the above-mentioned measures and actions in the preparation of his further studies on the promotion of the international flow of private capital, as called for under the above-mentioned recommendation as well as under resolutions 1318 (XIII) of the General Assembly and 922 (XXXIV) of the Economic and Social Council;

"4. Looks forward to the early publication of the Secretary-General's findings in this field."

This draft resolution was introduced by the representative of Dahomey and considered at the 995th to 999th meetings.

6. At the 997th meeting, the sponsors, Dahomey and the United Republic of Tanzania who were now joined by Turkey, submitted a revision of their draft resolution (A/C.2/L.822/Rev.1 and Corr.1), which incorporated the following changes:

(a) A new paragraph was inserted between the first and second paragraphs of the preamble, reading as follows:

"Taking into account the recommendation contained in annex A.IV.2 of the Final Act of the United Nations Conference on Trade and Development,";

(b) In the fourth paragraph of the preamble (now fifth paragraph) the word "direct" was deleted and the word "may" was changed to "would";

(c) Operative paragraph 1 was reworded as follows:

"1. Asks Governments to give serious consideration to the recommendations contained in annex A.IV.12 of the Final Act of the United Nations Conference on Trade and Development;"

(d) Operative paragraph 2 was revised as follows:

"2. Calls on Governments to give due consideration to the measures and actions for the promotion of private foreign investment in developing countries recommended by the United Nations Conference on Trade and Development, always taking into account the relevant laws and regulations of each country;"

7. At the 998th meeting, the sponsors of the revised draft resolution (A/C.2/L.822/Rev.1 and Corr.1) made the following oral changes in their text:

(a) In the English text of the fourth preambular paragraph the word "would" was changed to "may" and the words "where such investments are made in terms that are satisfactory both to the capital-exporting countries and the capital-importing countries" were added at the end of the paragraph;

(b) The phrase "and the need of respect for the sovereignty of the host countries" was added at the end of operative paragraph 2.

8. The Committee then voted on the revised draft resolution (A/C.2/L.822/Rev.1 and Corr.1), as orally revised. The voting was as follows:

(a) Operative paragraphs 1 and 2, on which a separate vote had been requested by Sweden, were retained by 56 votes to none, with 28 abstentions;

(b) The draft resolution as a whole, as revised orally, was approved by 65 votes to none, with 24 abstentions (see paragraph 13 below, draft resolution I).

II. ACCELERATED FLOW OF CAPITAL AND TECHNICAL ASSISTANCE TO THE DEVELOPING COUNTRIES

9. A draft resolution was submitted by Afghanistan, Algeria, Brazil, Cameroon, Ceylon, India, Iran, Iraq, Lebanon, Libya, Malaysia, Mali, Mexico, Morocco, Nepal, Nigeria, Philippines, Somalia, Sudan, Syria, the United Arab Republic, Yugoslavia and Zambia (A/C.2/L.825) which read as follows:

"The General Assembly,

"Recalling its resolution 1938 (XVIII) of 11 December 1963 which requested the Secretary-General to review the conceptual and methodological problems in the measurement of capital flow and aid and to submit proposals for making the presentation of the relevant data as meaningful and purposeful as possible,

"Taking into account the recommendation contained in annex A.IV.2, section III of the Final Act of the United Nations Conference on Trade and Development that 'each economically advanced country should endeavour to supply... financial resources to the developing countries of a minimum net amount approaching as nearly as possible to 1 per cent of its national income, having regard, however, to the special position of certain countries which are net importers of capital',

"Taking into account also the recommendations contained in annex A.IV.4 of the Final Act of the United Nations Conference on Trade and Development setting forth the objectives to be met in removing the difficulties experienced by the developing countries under aid programmes of Government-to-Government transfer of capital through loans and in the availability of supplier's credit to developing countries owing, inter alia, to short periods of repayment, high rates of interest, limitations on the tying of credits to specific projects and to purchases from countries providing the capital,

"Noting the recommendation contained in annex A.IV.5 of the Final Act of the United Nations Conference on Trade and Development relating to the problem of debt service in developing countries and the fact that the servicing of external debt constitutes an increasing burden on their resources,

"Taking note of Economic and Social Council resolution 1088 A (XXXIX) which recommended that the Governments of developed Member States give early and sympathetic consideration to making their terms of lending substantially more favourable to the developing countries by such methods as extending the period of repayment, reducing interest rates and providing a period of grace both as to interest and repayment of capital,

"Taking note also of Economic and Social Council resolution 1088 B (XXXIX) regarding the financing of economic development and, in particular, the problem of concepts and methodology in the measurement of flows of capital and aid to developing countries,

"Bearing in mind the inadequacy of the data on capital flows and economic assistance gathered by international organizations for carrying out the type of analysis of foreign financing that would be required to provide a regular appraisal of the factors influencing economic growth in the Development Decade,

"Having considered the Secretary-General's reports on the International flow of long-term capital and official donations 1961-1964 (E/4079 and Add.1) and on the Measurement of the flow of long-term capital and official donations: concept and methodology (A/5732),

"1. Expresses concern at the fact that the net flow of international assistance and long-term capital to the developing countries has virtually ceased to increase in recent years thereby halting the progress towards the attainment of the target of 1 per cent laid down in annex A.IV.2, section III, of the Final Act of the United Nations Conference on Trade and Development,

"2. Reiterates its request to the developed countries to take urgent measures to accelerate and ensure the flow of international assistance and long-term capital to the developing countries so as to attain the above-mentioned target;

"3. Urges the developed countries, in framing their policies with regard to the terms of lending to the developing countries, to meet the objectives set forth in annex A.IV.4 of the Final Act of the United Nations Conference on Trade and Development in order to secure more meaningful and progressive financial co-operation with the developing countries and ensure greater efficiency in aid programmes;

"4. Requests the competent United Nations bodies and other international financial institutions to take urgent steps to implement the recommendations contained in annex A.IV.5 of the Final Act of the United Nations Conference on Trade and Development relating to the problem of servicing the external debt of the developing countries;

"5. Requests the Secretary-General to continue the study requested of him in its resolution 1938 (XVIII) and to submit his final proposals to the Economic and Social Council at its fortieth session and to the General Assembly at its twenty-first session."

This draft resolution was introduced by the representative of India and considered at the 996th to 999th meetings.

10. At the 997th meeting, the sponsors, who were now joined by Argentina, Ecuador, Ethiopia, Ghana, Guinea, Jordan, Kenya, Mauritania, Peru, Tunisia and the United Republic of Tanzania, submitted a revised text of their draft resolution (A/C.2/L.825/Rev.1 and Corr.1 and 2 (E and S only), and A/C.2/L.825/Rev.1/Add.1)), which introduced the following changes:

(a) A new paragraph was inserted between the sixth and seventh paragraphs of the preamble, reading as follows:

"Recalling also Economic and Social Council resolution 1089 (XXXIX) which, in its operative paragraph 1, urged the States Members of the United Nations or members of the specialized agencies and the International Atomic Energy Agency, and particularly the developed countries:

"(a) To take all possible steps immediately to increase the effective flow of international capital to developing countries to the level indicated in recommendation A.IV.2 of the United Nations Conference on Trade and Development, in all cases where that level has not yet been reached;

"(b) To devise such terms and conditions that the servicing of this expanded flow of capital does not impose an unduly heavy burden on the developing countries and thereby jeopardize the prospect of their further growth,";

(b) In operative paragraph 1, the words "has virtually ceased to increase" were replaced by "has failed to attain the necessary increase";

(c) In operative paragraph 5, the word "fortieth" was replaced by "forty-first".

11. The following additional changes were made orally by the sponsors at the 998th meeting:

(a) In operative paragraph 1, the word "halting" was replaced by the word "retarding";

(b) In operative paragraph 3, the phrase "to meet the objectives" was replaced by "to bear in mind the objectives";

(c) In operative paragraph 4, the words "competent United Nations bodies and other international..." were replaced by "competent United Nations bodies and/or other international...";

(d) The word "final" was deleted in operative paragraph 5.

12. The Committee then voted on the thirty-four-Power draft resolution (A/C.2/L.825/Rev.1), as revised above. The voting was as follows:

(a) The third paragraph of the preamble and operative paragraph 3, on which a separate vote had been requested by the representative of the United Kingdom, were retained by 63 votes to none, with 25 abstentions;

(b) The fourth paragraph of the preamble and operative paragraph 4, on which a separate vote had been requested by the representative of France, were retained by 74 votes to none, with 13 abstentions;

(c) The draft resolution as a whole was approved by 78 votes to none, with 12 abstentions (see paragraph 13 below, draft resolution II).

RECOMMENDATION OF THE SECOND COMMITTEE

13. The Committee therefore recommends to the General Assembly the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Financing economic development

The General Assembly,

Recalling its resolutions 1318 (XIII) of 12 December 1958 entitled "Promotion of the international flow of private capital to developing countries" and 1710 (XVI) of 19 December 1961 entitled "United Nations Development Decade: a programme for international economic co-operation",

Taking into account the recommendation contained in annex A.IV.2 of the Final Act of the United Nations Conference on Trade and Development,

Having considered the recommendations on the promotion of private foreign investment in developing countries, contained in annex A.IV.12 of the Final Act of the United Nations Conference on Trade and Development,

Noting with interest the fourth and fifth reports of the Secretary-General on the promotion of the international flow of private capital,^{2/}

Reaffirming that private foreign investment may contribute to the economic diversification and development of private-capital-importing developing countries and to the accelerated transfer of technical and managerial know-how to these countries, where such investments are made in terms that are satisfactory both to the capital-exporting countries and the capital-importing countries,

1. Asks Governments to give serious consideration to the recommendations contained in annex A.IV.12 of the Final Act of the United Nations Conference on Trade and Development;

2. Calls upon Governments to give due consideration to the measures and actions for the promotion of private foreign investment in developing countries recommended by the United Nations Conference on Trade and Development, always taking into account the relevant laws and regulations of each country, and the need of respect for the sovereignty of the host countries;

3. Requests the Secretary-General to keep in view the above-mentioned measures and actions in the preparation of his further studies on the promotion of the international flow of private capital, as called for under the above-mentioned recommendation as well as under General Assembly resolution 1318 (XIII) and Economic and Social Council resolution 922 (XXXIV) of 3 August 1962;

4. Looks forward to the early publication of the Secretary-General's findings in this field.

DRAFT RESOLUTION II

Accelerated flow of capital and technical assistance to the developing countries

The General Assembly,

Recalling its resolution 1938 (XVIII) of 11 December 1963 which requested the Secretary-General to review the conceptual and methodological problems in the measurement of capital flow and aid and to submit proposals for making the presentation of the relevant data as meaningful and purposeful as possible,

Taking into account the recommendation contained in annex A.IV.2, section III, of the Final Act of the United Nations Conference on Trade and Development that each economically advanced country should endeavour to supply financial resources to the developing countries of a minimum net amount approaching as nearly as possible 1 per cent of its national income, having regard, however, to the special position of certain countries which are net importers of capital,

Taking also into account the recommendations contained in annex A.IV.4 of the Final Act of the United Nations Conference on Trade and Development setting forth the objectives to be met in removing the difficulties experienced by the developing countries under aid programmes of Government-to-Government transfer of capital through loans and in the availability of supplier's credit to developing countries owing, inter alia, to short periods of repayment, high rates of interest,

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limitations on the tying of credits to specific projects and to purchases from countries providing the capital,

Noting the recommendation contained in annex A.IV.5 of the Final Act of the United Nations Conference on Trade and Development relating to the problem of debt service in developing countries and the fact that the servicing of external debt constitutes an increasing burden on their resources,

Taking note of Economic and Social Council resolution 1088 A (XXXIX) of 30 July 1965, which recommended that the Governments of developed Member States give early and sympathetic consideration to making their lending terms substantially more favourable to the developing countries by such methods as extending the period of repayment, reducing interest rates and providing a period of grace both as to interest and repayment of capital,

Also taking note of Economic and Social Council resolution 1088 B (XXXIX) regarding the financing of economic development and, in particular, the problem of concepts and methodology in the measurement of flows of capital and aid to developing countries,

Recalling also Economic and Social Council resolution 1089 (XXXIX) of 31 July 1965, which, in paragraph 1, urged the States Members of the United Nations and members of the specialized agencies and of the International Atomic Energy Agency, and particularly the developed countries:

(a) To take all possible steps immediately to increase the effective flow of international capital to developing countries to the level indicated in the recommendation contained in annex A.IV.2 of the United Nations Conference on Trade and Development, in all cases where that level has not yet been reached;

(b) To devise such terms and conditions that the servicing of this expanded flow of capital does not impose an unduly heavy burden on the developing countries and thereby jeopardize the prospect of their further growth,

Bearing in mind the inadequacy of the data on capital flows and economic assistance gathered by international organizations for carrying out the type of analysis of foreign financing that would be required to provide a regular appraisal of the factors influencing economic growth in the United Nations Development Decade,

Having considered the Secretary-General's reports on the international flow of long-term capital and official donations 1961-1964^{3/} and on the measurement of the flow of long-term capital and official donations: concept and methodology,^{4/}

1. Expresses concern at the fact that the net flow of international assistance and long-term capital to the developing countries has failed to attain the necessary increase in recent years, thereby retarding the progress towards the attainment of the target of 1 per cent laid down in the recommendation contained in annex A.IV.2, section III, of the Final Act of the United Nations Conference on Trade and Development;

2. Reiterates its request to the developed countries to take urgent measures to accelerate and ensure the flow of international assistance and long-term capital to the developing countries so as to attain the above-mentioned target;

3. Urges the developed countries, in framing their policies with regard to the terms of lending to the developing countries, to bear in mind the objectives set forth in annex A.IV.4 of the Final Act of the United Nations Conference on Trade and Development in order to secure more meaningful and progressive financial co-operation with the developing countries and ensure greater efficiency in aid programmes;

4. Requests the competent United Nations bodies and/or other international financial institutions to take urgent steps to implement the recommendations contained in annex A.IV.5 of the Final Act of the United Nations Conference on Trade and Development relating to the problem of servicing the external debt of the developing countries;

5. Requests the Secretary-General to continue the study requested of him in its resolution 1938 (XVIII) and to submit his proposals to the Economic and Social Council at its forty-first session and to the General Assembly at its twenty-first session.

^{3/} E/4079 and Add.1.

^{4/} E/5732.