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CONTENTS

Chairman: Mr. Richard M. AKWEI (Ghana).

AGENDA ITEM 42

External financing of economic development of the developing countries: report of the Secretary-General (continued) (A/7203, chap. V; A/7253, E/4438, E/4446 and Corr.1, E/4495, E/4512, E/4539, E/4565)

1. Mr. STELLINI (Malta), reiterating a proposal made by the Maltese delegation in the Second Committee, at the twenty-second session of the General Assembly (see 1129th meeting, paras. 29 and 30), which had been favourably received by a number of delegations, proposed the establishment, within one of the many bodies concerned with economic development, of an international investment promotion centre for making the investment opportunities in developing countries better known in world financial circles. The functions of the centre would be much wider than those of the International Trade Centre, operated jointly by the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT), and other bodies engaged in similar work. Its role would be essentially active and it would operate as a private investment corporation. It would have, on the one hand, to keep in close contact with business and financial circles in capital-exporting countries, and on the other, to co-operate closely with governmental and non-governmental bodies of capital-importing countries. It would thus be in a position to identify the projects ripe for investment and would then have to contact the business concerns best able to finance them. It could also usefully advise capital-importing countries during their negotiations with the foreign enterprises formed through its good offices. It was thus of the greatest importance for the staff of the centre to be highly qualified and to have at the same time international business experience and a thorough knowledge of the respective attitudes of the capital-importing and capital-exporting countries. It was therefore essential that the personnel, while not necessarily large in number, should include specialists from both industrialized and non-industrialized countries.

2. The functions of the proposed centre would be to maintain close contact with business and financial circles in capital-exporting countries; to provide potential investors in developed countries with comprehensive information on investment opportunities in the developing countries; to advise developing countries during their negotiations with foreign concerns; to advise them on methods of ensuring that maximum long-term benefits were derived from the investments made and on methods to secure the desired degree of participation; and possibly to indicate the best means of mobilizing or training local personnel at all levels.

3. The centre would meet the needs of the small countries in particular since it would seek sources of capital for them and would advise them during their negotiations with foreign concerns. It would have the responsibility of ensuring in particular that the outcome of negotiations was fair to both sides, thus avoiding the risk of the economic dependence of a country upon foreign concerns, which was prevalent in all parts of the Third World and which was often regarded as dangerous in the long term.

4. The Maltese delegation thought that the centre could be fitted into the United Nations Industrial Development Organization (UNIDO) or UNCTAD, or into a joint UNCTAD/UNIDO/GATT body or a United Nations financial agency.

5. The proposal had been prompted by two different reasons. First, many developing countries experienced great difficulties in seeking to publicize the investment possibilities they could offer to the major capital-exporting countries other than their traditional suppliers, which were often ex-colonial Powers. Moreover, they had neither the experience nor the means to undertake market research. The centre would help them to diversify their sources of financing and their fields of investment, and to attract additional private capital.

6. The second main reason for the proposal was the present international economic climate. The funds available for the economic and social development of the poor countries were far from sufficient. While the needs of those countries for external assistance had constantly increased, the net flow of financial resources to them had remained virtually static since 1962. That situation resulted from such factors as the lack of experience in the small countries and the small means at their disposal for publicizing the investment possibilities they could offer. Moreover, a growing reluctance could be noted on the part of the developed countries to increase the flow of public capital and assistance to the under-developed world, a reluctance that could be seen from a perusal of the report of the Secretary-General entitled "International

flow of capital and assistance: review of recent tends" (E/4495), which showed that the volume of public capital transferred had expanded only slightly in 1967. On the eve of the second Development Decade, the climate of international assistance thus appeared unfavourable.

7. He emphasized that a body such as the international investment promotion centre would not involve donor countries in heavy additional expenditure. They would only need to encourage the programmes for stimulating investment in developing countries by strengthening their investment guarantees and their financial assistance to their own private sector. Their efforts would be amply justified by the advantages that the latter, and in the long run themselves, would gain.

8. The promotion of private investment in developing countries had been a subject of continued discussion in United Nations bodies. The Economic and Social Council had considered it at its forty-fifth session, in connexion with the Secretary-General's report entitled Foreign Investment in Developing Countries (E/4446 and Corr.1) and a note by the Secretary-General (E/4565) concerning the proposal to convene a panel on foreign investment mentioned in the report (see E/4446 and Corr.1, para. 246). It appeared that a large number of both developed and developing countries favoured such promotion in principle. The question remained of how to undertake it in a practical way and for the benefit of all concerned. In that connexion his delegation welcomed resolution 1359 (XLV), adopted by the Economic and Social Council following the proposal by the Secretary-General concerning the convening of a panel on foreign investment, and he hoped that the panel's deliberations would go beyond the purely theoretical plane. He suggested, in that connexion, that the Committee should recommend the panel to examine the suggestion made by his delegation concerning the establishment of an international investment promotion centre, together with any other specific proposal which delegations might present.

9. Mr. BORSHCHEVSKY (Byelorussian Soviet Socialist Republic) said that external financing must always be supplementary to the developing countries' domestic efforts. The forms and methods of domestic capital formation for development financing should be improved.

10. In the Byelorussian SSR, the sources of capital formation that had made industrialization possible had been concentrated in nationalized industrial, agricultural and banking enterprises, and because the financial resources had been thus concentrated in the hands of public authorities it had been possible to use them rationally in the development of the priority sectors of the economy, in accordance with the plans drawn up by the State. Because of that centralization, industrialization had been achieved at rates previously unattained by any other country. Whereas the rate of formation in capitalist countries about 1920 had fluctuated between 7 and 12 per cent of the national income, it had reached 26 to 28 per cent in the USSR. Part One of the World Economic Survey, 1967[1] indicated that current rates of capital formation in one quarter of the developing countries were less than 10 per cent. That low level was particularly serious since the total national product of those countries was small and its growth rate inadequate. The transformation of under-developed economies, the establishment of national industries and the mobilization and effective utilization of domestic resources depended to a large extent on the social and economic structure of the countries concerned, the nature of their foreign relations and the amount of foreign-exchange resources at their disposal for purchases on the world market. The developing countries attained most of their foreign-exchange resources from their international trade. As the Secretary-General's report entitled The External Financing of Economic Development: International Flow of Long-Term Capital and Official Donations, 1962-1966 had pointed out (see E/4438, para. 2), in 1966, the total exports of the developing countries had been valued at approximately $39,000 million.

11. It was common knowledge that the developing countries were in a difficult and inequitable position in their trade relations with the developed capitalist countries. The latter had refused to endorse the principles adopted by UNCTAD at its first session and had ignored the decisions taken at its second session, which were designed to establish fair prices for raw materials and to remove trade barriers to the export of manufactures from developing countries. They had also opposed the conclusion of long-term agreements to stabilize commodity trade. That had resulted in a deterioration in the terms of trade and a decline of about $2,500 million per annum in the developing countries' export earnings. It was estimated that over the past ten years, Latin America alone had lost $20,000 million as a result of the unfair terms of its trade with the United States. For that reason, Byelorussia supported those delegations which saw in the inadequacy of the developing countries' foreign-exchange revenues a result of the discriminatory trade conditions imposed by the developed capitalist countries. In 1967, the developing countries' foreign-exchange earnings had risen by only 2 per cent over those for 1966, and although those countries had cut back their imports, their trade deficit had amounted to $2,200 million, or $500 million more than in 1966, as pointed out in the Secretary-General's report entitled "The recent flow of resources into and out of the developing countries" (see E/4512, para. 1). Those unfair relations were one of the principal ways in which the developed capitalist countries pumped resources out of the developing countries. In spite of that, the capitalist countries wished to pose as benefactors when giving "aid" to developing countries. They tried to give the impression that they understood those countries' difficulties and shared their concerns. Actually it was the duty of those "benefactors" to return to the developing countries the thousands of millions of dollars which they had taken from them over a period of centuries.

12. In order to increase the flow of resources to the developing countries, it was essential first and foremost to stop treating aid as if it were charity. To that end, the total amount of resources siphoned off by the capitalist developed countries from their de-

[1] The Problem and Policies of Economic Development: An Appraisal of Recent Experience (United Nations publication, Sales No.: E.68.II.C.2) (E/4488/Rev.1).

pendent Territories during the colonial era should be assessed. It would then be possible to draw up a long-term plan for the amortization of the debt by the imperialist Powers. The United Nations should undertake such a study, which would make it possible to establish stable rates of financing for the developing countries and reduce their dependence on the economic fluctuations inherent in capitalism. The Byelorussian delegation would continue to defend the developing countries' right to compensation for the damage which colonialism and neo-colonialism had caused, and were continuing to cause. It hoped that the Secretariat would study those problems and draw up relevant recommendations.

13. The external financing of development was dealt with in the reports and studies before the Committee. Those documents showed that the developing countries' indebtedness was continuing to grow. The Secretary-General had pointed out in his note on that subject (see E/4539, para. 7(a)) that their external public debt alone had increased almost fourfold over the past ten years and now amounted to about $40,000 million. In addition, the debt of the private sector had exceeded $5,000 million in 1965. If the present terms of lending imposed by the capitalist countries were retained, as from 1970 the developing countries would have to spend more on debt-servicing than they received as loans from capitalist countries. It was surprising that the Secretariat documents, and particularly paragraph 44 of the Secretary-General's report on the international flow of capital and assistance (E/4495) gave the impression that the terms of financing offered to developing countries were favourable and even improving whereas they were extremely severe. The average annual rate of interest of such loans exceeded 3 per cent and in some cases 5 per cent. The 6.25 per cent rate of interest for the International Bank for Reconstruction and Development (IBRD) loans was nothing less than exorbitant. Attempts were made to justify the increase in interest rates on the grounds of stiffer credit conditions in the capitalist money markets. However, that was clearly an attempt to stabilize the balance of payments of the developed Western countries at the expense of the developing countries, and it was to that fact that United Nations reports should draw attention. The best solution to the financial difficulties of developing countries would be substantially to increase the volume of loans and credits, on favourable terms, and to provide for repayment in the form of manufactures from those countries, especially those produced by enterprises built with such loans and credits. Those were the methods used by the USSR and other socialist countries.

14. The Byelorussian SSR had been one of the first to propose that the United Nations should study the outflow of capital from developing countries, the elimination of which would be equivalent to providing the latter with substantial additional development resources. In 1965, the developed capitalist countries had received $5,000 million from the developing countries in the form of returns on direct investments alone (see E/4539, para. 4 (c)). He hoped that the study of the problem of capital outflows would be continued and would make it possible to supplement the existing information, which was inadequate. The situation continued to show an unfavourable trend for the developing countries. In 1967, the United States had received more than $5,300 million from those countries—an increase of 16 per cent over 1966—$2,600 million of which had consisted of returns on private investments. The sum of $5,300 million represented more than twice the amount of so-called aid granted by the United States in 1967, and was almost twice as great as the total capital ($3,000 million) made available to the developing countries in that year. Clearly, then, the capitalist countries, in providing the developing countries with so-called aid, were merely returning to them a very small part of their own resources.

15. Much had been said for some time past about the importance of private capital, to which United Nations reports and studies attached particular significance and which many articles in the Western Press tried to present in an attractive light. In his view, that was not merely an effort to increase the flow of resources to developing countries but also a deliberate policy of the Western countries. Private capital, by its very nature, made it possible to reap large profits and to impose high interest rates, which was advantageous for the capitalist countries. Furthermore, private capital could play too great a role in steering the development of the developing countries in directions which suited the interest of the capitalist countries. A larger proportion of private capital in the total volume of financing was liable to prolong the developing countries' dependence on the principal Western Powers. That was one specific form of those Powers' neo-colonialist policy. The United Nations should try to defend more effectively the interests of developing countries which concluded agreements with foreign private investors. Greater use should be made of the experience of the Soviet Government, which in the first stages of industrialization had been careful to exercise surveillance and control and to set strict limits on the role of foreign capital. Unfortunately, a completely different approach was adopted in the report entitled Foreign Investment in Developing Countries (E/4446 and Corr.1), whose authors were more interested in protecting the interests of foreign investors and in creating a climate favourable to their activities in the developing countries. The authors had gone so far as to say that the recipient Government and foreign investor pursued the same aim and were equally interested in the economic development of the country concerned, an unsubstantiated statement which was repeated in all United Nations documents on the external financing of development. The facts showed, however, that foreign investments were quite different in character and the authors should try to make the report a document which defended the developing countries' interests. His delegation considered that the study of external financing problems had only just begun and that the fiscal aspects of the matter, too, should be examined.

16. The solution of the financing problem depended to a large extent on the international situation. Progress in disarmament and in strengthening the peace, and the end of direct or indirect imperialist aggression would enable substantial additional resources to be mobilized for development. The Byelorussian SSR would do all it could to hasten the attainment of that goal.

17. Mr. KHANACHET (Kuwait) said that the subject of external financing, had received its due share of theoretical discussion. What was needed now was more action by the developed countries. On the threshold of the second Development Decade, of which external financing was one of the main pillars, the developing countries' growing needs made the problem more acute.

18. The situation was not encouraging. However, external financing was an urgent necessity in most developing countries, whose economies were closely linked to the primary commodity markets. Price fluctuations, sluggish demand and the substitution of synthetics for industrial raw materials had combined to reduce the export earnings of the poor countries, whose terms of trade had also been seriously affected by the discrepancy between the prices of their primary exports and those of their major imports. Industrialization was obviously the long-term solution, but it involved slow and arduous efforts whose fruits could not be reaped for a long time.

19. His delegation disapproved of tied aid, which prevented recipient countries from making the best use of foreign capital. Again, the servicing of the external debt laid a heavy burden on the developing countries, since it jeopardized their planning and reduced their capacity to import the capital goods needed for development. Rescheduling of amortization was therefore necessary to help them solve their balance-of-payments difficulties. The industrialized countries should grant developing countries loans on repayment terms which were more favourable in the matter of interest rates, maturities and grace periods. However, the types of assistance best suited to the developing countries' needs were interest-free loans and grants.

20. His Government attached great importance to private foreign investment in developing countries, but believed that in the interest of both investors and recipient countries it was essential to create incentives and guarantees that would encourage such investment. A regional seminar for the Arab States had been held in 1967 in Kuwait to discuss the subject. By virtue of their sovereign rights over their economic resources, recipient countries could lay down conditions for the admission, ownership and exploitation of foreign investments and limit such investments to certain economic sectors, but they should also guarantee adequate security and protection for such investments and pay fair compensation in the case of nationalization or expropriation.

21. Kuwait, which believed in maximum co-operation between developing countries, earmarked more than 20 per cent of its national income for assistance to sister and friendly countries, and could not therefore accept the excuses made by the rich countries which had not yet contributed 1 per cent of their gross national product as aid to developing countries. Kuwait's loans were never tied and were completely free from political considerations.

22. The Kuwait Fund for Arab Economic Development, the main agency for such assistance, hoped soon to establish a credit standing in the international capital market so that it could obtain additional funds and mobilize capital in the Arab world and elsewhere for investment in the economic development of the Arab countries. The Fund was a step towards broader regional and international co-operation.

23. His delegation welcomed the establishment, within the League of Arab States, of the Fund for Arab Economic Development which embodied UNCTAD's philosophy with regard to the terms of external financing.

24. Mr. MARTIN WITKOWSKI (France) said he wished to stress the excellent over-all quality of the documentation provided by the Secretariat on item 42 of the agenda. His delegation would be even more gratified if, at the same time, it could establish that real progress was actually being accomplished in that basic sector of economic co-operation. In the current year there had unfortunately been a further deterioration in the development aid situation, affecting the volume, quality, nature, machinery and procedures of aid. The various symptoms of the crisis had been anticipated at the second session of UNCTAD. It was open to question, however, whether a sense of the necessary priorities had always been kept in mind on that occasion, and his delegation therefore thought it useful to indicate what it felt was the general perspective in which the problem as a whole should be seen.

25. An increase in the volume of aid was clearly the most urgent problem. In 1960, the General Assembly, in its resolution 1522 (XV), had set the developed countries an over-all aid target of 1 per cent of their national income: at the first session of UNCTAD, France had taken the initiative in proposing that each developed country should pledge itself to reach that target, which the second session of the Conference had raised by applying the percentage to the gross national product.2/ Some of the developed countries had responded positively to the request and had pledged themselves to reach the new target within four years. Others had accepted a later date, but certain countries had been unable to promise anything, while others rejected the very idea of granting financial aid to developing countries. Those facts were important, especially in relation to the preparatory work for the second Development Decade. The undertaking on which the international community was embarking would remain an academic exercise if one of the elements of its financing was lacking. The surveys published by UNCTAD showed that the achievement of the target of 1 per cent by all the industrialized countries would in 1975 equal a net flow of resources $9,000 million higher than the present level. Even if that was a projection based on uncertain hypotheses concerning the future national income of the developed countries, it was none the less true that the achievement of that target in 1966 would have resulted in another $2,300 million of financial aid.

26. Those facts indicated that it was necessary, in the first place, to continue to insist on a more sustained effort from everyone in order to reach the target. Some countries sought an excuse for their mediocre performance in temporary financial and budget difficulties. While his country could appreciate

2/ See Proceedings of the United Nations Conference on Trade and Development, Second Session, vol. I, Report and Annexes (United Nations publication, Sales No.: E.68.II.D.14), annex I, decision 27 (II), p. 38.

to a certain extent the excuses offered, it was still true that the gap between their achievements and those of others was widening day by day. The very praiseworthy efforts of numerous countries with low or average economic capacity to reach the target, the spirit shown by larger nations, such as the United Kingdom, which despite considerable structural problems were succeeding in maintaining a very substantial level of assistance, contrasted with the attitude of the two greatest economic Powers of the day, since one had so far refused to make any pledges, while the other, after making a commitment, now appeared to be moving increasingly further in the opposite direction.

27. With regard to the nature of the capital provided and the financial conditions of aid, if the pre-eminent role of public capital in the over-all amount of aid was stressed, that was merely because experience showed that it was a less volatile and unstable source of aid than private finance, and also because it could frequently be obtained on conditions which were better than those of the market. Recognition of that fact in no way signified a belittling of the role that private capital could and should play as an additional source of finance for the economic development of the underprivileged countries. If the need to improve the terms of aid was also stressed, that was because it was essential, above all, to prevent the debts of the developing countries from growing excessively. The real problem to be considered was that of increasing, in one way or another, the volume of aid.

28. At the present time, a whole series of questions which were usually brought up when financial assistance was being discussed appeared quite secondary. For example, far too much time had been devoted in the past to analysing in full detail the advantages and disadvantages of bilateralism and multilateralism. Studies had even made of the respective theoretical merits of bilateral aid which carried with it no obligations regarding the source or nature of the goods or services provided and tied aid; all the arguments in favour of regional assistance had been carefully weighed against the opposing arguments of the supporters of world-wide aid. If desired, his country was prepared to put forward its views on those different questions, but it would now limit itself to reiterating firmly that, at the very least, multilateral aid should not be tied to particular sources or items. With regard to the discussion on bilateralism or regionalism, it would be observed once again that it was easier for certain Governments to win their Parliaments' support for projects whose implications could be gauged accurately or countries with which they had had historical links in the past. Other developed countries had been able to evolve an ideal or a philosophy which was more "world-wide", and that was only to be welcomed. It would appear that in that field each country must, in the last analysis, be left to choose its own methods; when all was said and done, one had to judge by the final result.

29. It seemed that the time had come to acknowledge the unreal nature of disputes of that kind. An attempt should rather be made to go beyond such academic wrangling and try to understand the world as it actually was and, in order to influence it, discover the psychological and moral motives likely to stimulate a surge of international solidarity among public opinion.

30. Reviewing France's contribution in the field of aid, he said that recent statistics showed that the volume and composition of aid were developing in accordance with the intentions expressed by the French authorities. After the slight recession in 1965, the total volume of French aid had gradually resumed an ascending trend. In 1967 it had reached a total of $1,344 million, equal to 1.65 per cent of the national income or 1,24 per cent of the gross national product. As in previous years, that total far surpassed the target of 1 per cent, whatever methods of calculation were employed. In all probability the 1968 total would exceed that of 1967, and it appeared, in the light of the budget estimates, that 1969 would see a definite increase in effective expenditure for aid in comparison with 1968. That recovery was entirely due to the development of aid from the public sector, which had advanced markedly in 1967, thus offsetting the decline which had occurred in private aid. Of public aid expenditures, those which had increased most in 1967 were those for multilateral aid, and they should increase still further if the replenishment of the resources of the International Development Association (IDA) were finally to become a reality. The increase in French aid had made it possible to diversify aid techniques and to widen the range of recipients. French legislation allowed government loans to be granted to developing countries which were experiencing difficulties with their balance of payments. Two such loans had been granted in 1967, one to India and the other to Indonesia. With regard to the geographical distribution of that aid, while the Franc area retained a privileged position, the assistance given to other countries had grown constantly and in significant proportions, having more than doubled between 1963 and 1967 and having risen in five years from 16 to 32 per cent of total bilateral aid.

31. The pessimism which preceding speakers seemed to feel was justifiable if it provided an incentive to action, but there was no place for it if it was going to reduce the Committee to impotence. Reference was made to current difficulties, but, after all, the industrialized countries had achieved an unprecedented level of expansion in recent years. If the result carried with it its own penalty, it nevertheless showed that the means existed and that the obstacles being encountered by those countries in the field of international co-operation were, perhaps, more psychological than material. A new frame of mind was therefore what international organizations should try to create.

32. Mr. DECASTIAUX (Belgium) said that his country had already had occasion to make its views known on the problem of the financial aspects of development at the second session of UNCTAD and at the forty-fifth session of the Economic and Social Council.

33. Regarding the conditions governing the flow of capital to the developing countries, namely, the financial conditions, he would like to see a further manifestation of the tendency towards improvement noted for 1965-1966 in the report of the Secretary-General (see E/4495, para. 44), particularly with regard to the terms of loans, interest rates, the duration of

loans and repayment periods. That would be particularly welcome since Belgium had chosen to apply a liberal policy in that regard; virtually all Belgian public aid consisted of gifts and, for the aid programme, loans were offered at an interest rate of 3 per cent, they were repayable in twenty to twenty-five years and periods of grace of five to seven years were allowed.

34. When speaking of the conditions governing the transfer of resources, one thought primarily of the extent to which the aid was tied. Belgium was aware of the drawbacks of that type of aid and would like to see more liberalism in that respect, but in practice bilateral aid was frequently tied and appeared likely to remain so until a new order prevailed. Attention should therefore be given to the possibility of a more flexible system according to which the country granting the aid would, for example, allow the recipient to select what he wanted from a certain range of products and the recipient, for his part, would be able to adopt the most effective methods of purchase.

35. The problem of the debt burden should not become an obsession; it was, after all, merely one of many elements in the machinery of economic life. Furthermore, the interaction of financial and commercial factors within that machinery could serve to indicate vulnerability and show more or less clearly the relative role of debt in the over-all pattern. Nevertheless, certain measures could help to deal with the basic problem, such as an easing of the terms of aid on the one hand, and, on the other, rational debt management combined with financial and trade policies laid down as part of development plans, the negotiation of special arrangements as a prelude to the refinancing or consolidation of long- and medium-term debts and concerted action to detect undesirable trends in the debt situation with a view to their prevention. Such an undertaking would obviously be delicate because it presupposed a full exchange of information and continuous surveillance. There was still another remedy, namely, self-discipline with regard to international loans.

36. His delegation was interested in the question of financing export credits. It would be grateful if the studies provided by the developed countries could be brought up to date frequently; they could simply submit the information directly and on their own initiative to the Secretariat—a procedure which would give such data more value than a mere study. The question should be examined in depth, as should that of credit insurance. For that reason, his Government was favourably disposed towards the round-table discussion proposed by the Secretary-General for 1969.[3/]

37. The question of obstacles to investment was completely dominated by the problem of confidence. But when obstacles arose, one must think of remedies. In the absence of multilateral arrangements for the protection of foreign investments, bilateral treaties for their protection and national schemes for their insurance were still important. His country was preparing a national scheme for the insurance of investments while simultaneously taking considerable interest in the draft statute of an international investment insurance agency—just as it had welcomed the establishment in 1966 of the conciliation and arbitration system. Tax measures might also be adopted to encourage international investment. In that connexion, his Government had concluded a tax agreement with one developing country and was negotiating with many others. Moreover, the twenty-second congress of the International Fiscal Association, just held at Montevideo, had devoted a large part of its work to the problem of development and it would be interesting to study its conclusions.

38. His Government welcomed the Secretary-General's proposal to convoke a panel on foreign investment (see E/4446 and Corr.1, para. 246), especially as the Netherlands, a neighbouring country with which his own had close ties, particularly in the economic field, would act as host to the participants.

39. Mr. GOBBA (United Arab Republic) said that in recent years the flow of public aid from the industrialized countries to the developing countries, which had risen dramatically during the fifteen years following the Second World War, had become sluggish. Following the adoption of General Assembly resolutions 1522 (XV) and 2274 (XXII) and the recommendations of the first and second sessions of UNCTAD, the peoples of the developing countries had hoped that the capital flow would resume its post-war pattern. Unfortunately, the statistics indicated that since establishment of the 1 per cent target in 1960 there had been a considerable decrease in the net flow of resources to the developing countries as compared with the national incomes of the developed countries, let alone their gross national products. In the meantime, the burden of debt-servicing on the developing countries was mounting so rapidly that, if the trend continued, net lending to the developing countries would become negative by the year 1970. Furthermore, it was notable that the developing countries' capacity for absorption was well in excess of the amount of aid they now received.

40. The developed countries cited the factors affecting their ability to transfer increased resources to the developing countries. Nevertheless, if those factors were studied it become apparent that they had a very minor impact on the capability of developed countries to uphold the principles stated in operative paragraph 3 (a) of Economic and Social Council resolution 1183 (XLI) contained in General Assembly resolution 2170 (XXI).

41. The replenishment of the resources of IDA was another item which deserved attention. His delegation hoped that Governments belonging to IDA would increase their contributions, which were still far short of the $1,000 million per year target proposed by the President of IBRD in July 1966. He noted with appreciation the proposal by eighteen member countries and Switzerland to provide a total contribution of some $400 million annually for three years.

42. The debt-servicing burden was particularly heavy for the developing countries, re-negotiation and rescheduling had helped to solve the economic problems which had been confronting some countries. His delegation would support any resolution which might offer solutions to those problems within the international framework.

3/ See documents E/4481 and Add.1 and 2.

43. In conclusion, he drew the attention of members of the Committee to the problem of tied aid, which was the more serious in that some donor countries had recently extended the tying of aid to multilateral aid.

44. Mr. OMER (Sudan) noted that, in 1960, General Assembly resolution 1522 (XV) had established a target of 1 per cent of the national income of the economically advanced countries to be devoted to development. Eight years had passed and that target had not been fulfilled. On the contrary, the ratio had fallen from 0.86 per cent in 1964 to 0.62 per cent in 1966, whereas the developed countries had added more than $400,000 million to their real income. Their ability to give assistance had thus increased but their will to do so had not kept pace. Furthermore, international assistance was concentrated on particular areas of the world. It was not always distributed in accordance with purely economic criteria; political considerations played a part. His delegation felt that the distribution of international aid should be made more equitable by softening the terms and conditions. It would be difficult to achieve an increase in the flow of capital without an increase in international liquidity. His delegation had supported the special drawing rights scheme created by the International Monetary Fund and hoped to see it implemented in 1969. The second Development Decade would have no practical meaning unless a solution to the problem of external financing of development was found. Such financing could be provided through multilateral institutions such as IBRD, IDA and the new United Nations Capital Development Fund. But the high interest rates charged by IBRD, which granted loans only to infrastructure projects, would only increase the debt burden of the recipient countries. IDA had gone a long way to alleviate the debt problems of the developing countries, but the fact that its funds had dwindled to $58 million in February 1968 had caused considerable anxiety. His delegation had noted with appreciation the proposal by a group of eighteen countries to make $400 million available through IDA annually. Nevertheless, other countries should also contribute.

45. Secondly, the flow of investment capital from bilateral or multilateral sources and private investment was also important. Bilateral financing had been characteristic of the flow of resources from the socialist countries and it was to be hoped that the volume, which had dropped in 1967 to only 40 per cent of its level in 1966, would now rise again, in view of the greatly expanded productive capacity of those countries. The newly established United Nations Capital Development Fund should finance productive schemes such as industrial projects. The role of private capital was as important as ever, although such capital tended to be invested in certain areas without due consideration of the real economic needs of all developing countries. It was essential to investigate the obstacles which hindered the flow of finance and to find ways to increase it. His delegation therefore welcomed the Secretary-General's proposal to convoke a panel on foreign investment and hoped that it would be able to adopt some useful recommendations.

Organization of the Committee's work

46. In reply to a question by Mr. ALI (Iraq), the CHAIRMAN said that the documentation concerning agenda item 43 (United Nations Institute for Training and Research) would be made available to members of the Committee in the near future.

47. As to the organization of work, the CHAIRMAN, supported by Mr. ASANTE (Ghana), proposed that the Chef de cabinet should be consulted with a view to arranging for the consideration of the report of the second session of UNCTAD (item 34 (a)) by the plenary during the morning of 28 October, to allow the Committee to hear the numerous speakers who still wished to take the floor and to complete its consideration of item 42.

It was so decided.

The meeting rose at 12.55 p.m.

Litho in U.N. 77201—March 1970—2,275