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REPORT OF THE RAPPOREUR OF COMMITTEE No. 2

2. General

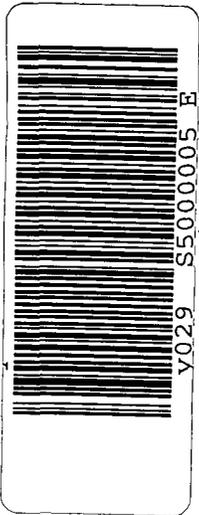
1. Committee No. 2 was formed under the chairmanship of Mr. Luis Machado (Cuba), its Rapporteur being Mr. Marco Antonio Ramirez (Guatemala). Six meetings were held.
2. The Committee was constituted for the purpose of considering the following documents:
  - a) Economic and Legal Status of Foreign Investments in selected Latin American Countries) (E/CN.12/166, E/CN.12/166/Add.1-Add.9).
  - b) Report of the ECLA-FAO Cooperative Unit on Agricultural Credit in Latin America (E/CN.12/167, E/CN.12/167/Add.1-Ad
  - c) International Capital Movements during the inter-war period, 1949 (United Nations Publication, 1949, II, D.2).
  - d) Report on private foreign investment policy (Document E/1614/Rev.1.).

In order to facilitate the work of the Committee, two Working Parties were constituted, one to deal with problems of Agricultural Credit and the other to discuss the question of foreign investments.

II. Agricultural Credit in Latin America

3. The Committee examined with interest the report on

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Agricultural Credit in Central America, prepared by the ECLA/FAO Cooperative Unit. In expressing its satisfaction with the cooperation between the OAS, the FAO and ECLA, the Committee considered it essential that this close collaboration be continued in the preparation of future reports on this subject, since these reports serve as directives for the elaboration of agricultural credit policy in Central America. Some of the Delegations reported on the progress made in this connection in their respective countries, stressing the good results that have been obtained.

2. The Guatemalan Delegation submitted two Draft Resolutions to the Committee for consideration (Documents E/CN.12/AC.2/W.1 and E/CN.12/AC.2/W.2). The first of these recommended the continuation of the investigation on Agricultural Credit in other Latin American countries. The second dealt with the necessary training facilities for the technical personnel of agricultural credit institutions, involving both the granting of scholarships abroad and the creation of a training centre in Central America, suggesting finally that a group of experts should meet to consider the matter. In an amendment proposed by the Uruguayan Delegation, it was suggested that measures be taken to publish the experience gained by various countries in the field of agricultural credit.

3. Emphasis was laid on the fact that one of the essential factors in expanding agrarian-economic development is the establishment of adequate agricultural credit facilities. This, however, implies granting the farmers credit on reasonable terms,

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combined with agricultural extension services, with a view to increasing the efficiency of production and of improving the standard of living of the agricultural population.

4. It was considered advisable to point out to the Governments the desirability of making available additional funds for agricultural credits, either through the existing credit institutions or through specialized organisations which could be created for this purpose. The provision of these funds alone would not be sufficient, however, to attain the agricultural progress desired, unless they were accompanied by effective measures to strengthen the structure of the agricultural credit system through the education and training of competent experts specialised in this field. It would therefore be advisable that the Latin American Governments take measures to train the personnel of the credit institutions in subjects of agricultural economy and finance and increase their number by adding agricultural extension experts.

5. The French Delegation pointed to the need of training these experts in countries where the agricultural credit system was similar to that of the interested countries. The delegation stated that the French Government would be prepared to offer scholarships through the United Nations for courses in agricultural credit in certain of its territories, such as Algeria, for instance, which, by reason of prevailing economic conditions resembles some of the Latin American countries. Holders of these scholarships would be enabled to make use of the

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technical educational facilities available at such institutions as the National Agricultural Credit Fund and the National Institute of Agronomy in Paris.

6. During the debate, it was also pointed out that in Latin America there are a large number of farmers who, because they lack knowledge of modern agricultural technique and the necessary financial resources, are not able to receive such credits or are unable to make the best use of them. Therefore, in order to correct this situation and enable them to take full advantage of credit facilities, these farmers should receive advice from the agricultural extension service experts referred to above as regards the utilization of credits, and on questions of agricultural economy, financial guidance and in the most essential and modern methods of cultivation directed to ensuring the success of their undertakings.

7. It was also suggested that it would be very useful if the Latin American countries, through ECLA, were to exchange information regarding the structure and operation of their agricultural credit systems, with a view to making the best use of the experience gained by those who have achieved satisfactory results. For this purpose, the Central American countries and other interested Governments should hold a meeting of agricultural credit experts with the object of making a uniform effort in this direction and making the most of the valuable experience of some of their number. The Committee therefore

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approved the two Draft Resolutions contained in documents E/CN.12/195 and E/CN.12/196.

III. Legal and Economic Status of Foreign Investments in Latin America.

1. The Committee examined the reports on the legal and economic status of foreign investments in selected Latin American countries, in connection with which the respective delegations had occasion to express their opinion.
2. Immediately after, the seven draft resolutions presented by the delegations of Brazil, United States, Guatemala and Mexico were considered.

The Brazilian draft resolutions envisaged:

a)- The report on the total foreign investment required for the economic development of Latin America and an analysis of their fluctuations with a view to obtaining a stable and adequate total for such investments.

(Documents E/CN.12/AC.2/W.3).

b)- The report on the problem of international double taxation (Document E/CN.12/AC.2/W.4).

c)- The recommendation that the International Bank of Reconstruction and Development should pay greater attention to the financing of plans of economic development in the Latin American countries.

(Document E/CN.12/AC.2/W.5).

In its Draft Resolution (Document E/CN.12/AC.2/W.7), the United States Delegation recommended the continuation of the

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work begun in the report dealing with the economic and legal status of foreign investments, and that an analysis should also be made of the policies of investor countries which might affect private investments abroad.

The Draft Resolutions proposed by the Guatemalan Delegation (Document E/CN.12/AC.2/W.8 and E/CN.12/AC.2/W.9) laid down the principles and bases for the investment of foreign capital.

The Draft Resolution presented by the Mexican Delegation (Document E/CN.12/AC.2/W.6) proposed that capital availabilities on the domestic market be studied in the Latin American countries.

3. After an exchange of views on the consequences of the measures involved, which opinions were supported by various delegations, it was decided to leave the Draft Resolutions proposed by the Guatemalan delegation for consideration at a later meeting. On this latter occasion, the resolutions were withdrawn by the proposer and presented merely as a declaration of policy of the Guatemalan Government establishing the principles which should govern foreign capital investments in that country.

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In the course of the deliberations, other points of view were expressed by the Delegations which, though they were not put into the concrete form of a resolution, were nevertheless carefully considered by the Committee. The Uruguayan Delegation suggested that in the reports on the fiscal regimes of the Latin American countries, account should be taken of those measures which by reason of their character or application could result in double taxation. These measures include those which create discriminations regarding the location of the source of the income, and the nationality and domicile of the contributor.

The Secretariat of the Commission agreed to take this point into consideration.

Aiming to increase the total amount of foreign investments, the Cuban Delegation suggested the possibility that no taxes be levied on countries exporting capital on the profits deriving from the transactions of companies with Branches or agencies abroad, when such profits are not transferred back to the country of origin of the capital. This would facilitate reinvestment in the countries benefited by such investments.

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It was held that the economic development of the Latin American countries should also be based on domestic financial resources and that it would be advisable to recommend to the Executive Secretary that ECLA study the capital availabilities on the domestic market in each of the Latin American countries with a view to ascertaining their financial capacity to execute programmes intended to accelerate the rate of economic development in a balanced and stable manner.

It was deemed advisable to request the Economic and Social Council to continue its research on the financing of plans of economic development and on the obstacles which hamper an adequate flow of investments to the under-developed areas, including among these hindrances the question of double taxation. At the same time, it was decided to request that the Latin American Governments periodically supply ECLA with data concerning specific aspects of foreign investment problems. Similarly, it was agreed to recommend that the Executive Secretary complete and improve the report on the legal and economic status of foreign investments in Latin America,, and include an analysis of the fluctuations of the flow of capital.

4. The Committee therefore submits for consideration the two Draft-Resolutions contained in Documents E/CN.12/197 and E/CN.12/198.

/ During the meeting held

During the meeting held on June 16, after the Committee had passed the above-mentioned four Draft Resolutions, the delegations of Chile, Cuba and Uruguay proposed two drafts, one in the form of a declaration and the other as a request to international credit institutions to modify their policy as regards the granting of loans for economic development. Both of these proposals draw the attention of the organisations concerned to the fact that the Latin American countries lack domestic capital resources with which to supplement the loans obtained from international organisations and consequently such loans must cover the expenses to be met in national currency.

Having discussed both these proposals and in view of the technical problems which they involve, the Committee decided to appoint an ad hoc Sub-Committee composed of the representatives of Brazil, Chile, Cuba, Guatemala, United States, France, Mexico, the Netherlands and Uruguay to consider the question, and find a basis for agreement.

The Sub-Committee accomplished its task and reconciled the different views in a compromise text, which stresses that the Latin American countries are greatly concerned over this fact and therefore request that the question which gave rise to the joint proposal of Chile, Cuba and Uruguay be included

/in the Agenda

in the Agenda for the Fourth Session of the Committee. The Draft-Resolution was approved by the Committee and is contained in Document E/CN.12/199.

I would like to take this opportunity to thank the Committee for the confidence it has shown in entrusting me with the duty of serving as its Rapporteur and the freedom accorded me in the preparation of this report.