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President: Mr. Hernán SANTA CRUZ (Chile).

Present: Representatives of the following countries:

Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Representatives of the following specialized agencies:

International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund, International Civil Aviation Organization, International Telecommunication Union.

World economic situation: consideration of draft resolutions (*continued*)

1. The PRESIDENT recalled that the Council had before it the Philippines revised draft resolution (E/L.182/Rev.1) and also the first of the two amendments submitted by the Pakistani delegation (E/L.193) which had been accepted by the Philippines representative and thus formed a part of his draft resolution. There were also the two amendments submitted by the Soviet Union delegation (E/L.190); a United States amendment (E/L.194) to the Pakistani amendment contained in document E/L.193; and a new amendment submitted by the Pakistani delegation (E/L.196) proposing the insertion of a third operative paragraph in the Philippines draft resolution.

2. The discussion on the revised draft resolution (E/L.182/Rev.1 and E/L.193) and on the Soviet Union amendments thereto had been closed at the preceding meeting. The Council had therefore to consider only the United States amendment (E/L.194) and the latest Pakistani amendment (E/L.196).

3. Mr. BALMACEDA (Philippines) said that he had carefully studied the two new amendments and found that they were in substance similar to the important resolution adopted on 7 March 1951 by the Economic Commission for Asia and the Far East (ECAFE) on the supply of capital goods (E/1984, page 48). He had referred to that resolution in his opening statement on the world economic situation (E/SR.485), when he had described it as an urgent plea from the under-developed countries to the supplying countries represented on the Commission. Since the Pakistani and United States amendments arose directly out of that resolution, he would be prepared to see them incorporated in his own (E/L.182/Rev.1).

4. Mr. LUBIN (United States of America) suggested that the text of the Pakistani and United States amendments (E/L.194 and E/L.196) be combined to read as follows:

" Recommends to the industrialized countries that, subject to the overriding needs of defence, they make every possible effort to ensure that supply difficulties do not interfere with the development plans of the under-developed countries; "

5. That text would then form the new paragraph to be inserted between paragraphs 1 and 2 of the Philippines draft resolution (E/L.182/Rev.1).

6. Mr. ARKADIEV (Union of Soviet Socialist Republics) said that all the amendments under consideration were very similar in substance, and he was therefore prepared to indicate his delegation's attitude towards them. It viewed the Pakistani amendment (E/L.196) with sympathy, since the Soviet Union Government had consistently supported the cause of industrialization in the under-developed countries and the supply to

them of capital goods and equipment by the industrialized countries. It had frequently expressed its views on the subject in the General Assembly and the Council. But, in face of the desperate rearmament drive at present being indulged in by the United States of America and the Western European countries, the Pakistani amendment had no relation to reality. It was left in the air, since the fundamental conditions required for its implementation were lacking. In order that those conditions should obtain, it was essential, first and foremost, to secure the defeat of the policy of militarizing the economic systems of the capitalist countries and to ensure a revival of civilian production in those countries, as well as a change in the system of distributing raw materials. To achieve that the Soviet Union amendment should be adopted.

7. On the other hand, the United States amendment, by proposing the insertion of a reference to the overriding claims of defence in the proposed Pakistani amendment, clearly showed the lines along which future economic policy would be conceived in the United States of America and the Western European countries, and what slender prospects of economic improvement existed for the under-developed countries. The latter would continue to serve as a pool of raw materials for the capitalist monopolies. What little sums they would receive in payment for the export of their raw materials would be blocked in the New York, London and Paris banks and would, in practice, be useless to them. It followed, to quote only one example, that the Philippines would remain an agricultural and backward country. According to statistics for 1948 contained in the report by the Secretary-General on the volume and distribution of national income in the under-developed countries (E/2044), over 62 per cent of that country's total revenue was derived from agriculture.

8. Both the political and the economic significance of the United States amendment must be correctly appreciated. Its purpose was to maintain the semi-colonial status of the under-developed countries. The Council must keep that fact in mind.

9. Mr. KATZ-SUCHY (Poland), recalling the sympathetic attitude adopted by his delegation towards the Philippines draft resolution in spite of certain shortcomings which it possessed, expressed his support for the Soviet Union amendments, which alone would give life to the draft resolution and offer real guidance both to governments and to the Council in the task of checking inflationary pressures. His delegation also supported the Pakistani amendments (E/L.193 and E/L.196), the first of which bore on the shortage of capital goods in the under-developed countries and so reaffirmed one of the guiding principles adopted by the Council for the establishment of technical assistance programmes. But he was not at all surprised that the United States representative should attempt to justify his country's preparations for war while at the same time clearly showing that it was not interested in the industrialization of the under-developed countries, which it wished to remain in a position to feed the war machine of the United States. He (Mr. Katz-Suchy) could not but urge the rejection of the United States amendment. Nor was he prepared to

accept as valid and convincing arguments based on a reference to the resolution of ECAFE (E/1981, page 48), in which a reference to the "overriding claims of defence" had been included under pressure from the United States Government. The fact that that resolution might, in consequence, be taken as endorsing United States economic policy did not mean that the Council must necessarily follow suit. In any case, the resolution of ECAFE referred to a specific problem—namely, the supply of capital goods. In the present case, the Council was discussing, not that problem, but the world economic situation in general and the needs of under-developed countries.

10. Whose overriding claims, whose needs, he would ask, must the Council admit? According to the Charter and the terms of reference laid down therein for the Council, normal economic development was the overriding need and the overriding claim. He would not be party to an attempt to exert greater pressure on the under-developed countries in order to make them part and parcel of the United States militarized economy, and would therefore, vote against the United States amendment.

11. Mr. BALMACEDA (Philippines) said that the Polish representative had misrepresented the facts of the case when he had suggested that the resolution relating to the supply of capital goods adopted by ECAFE had been the result of United States pressure. In point of fact, the resolution had emanated from the under-developed countries themselves; he himself had been present at the session in Lahore and could bear witness to the fact that the United States Government had exercised no pressure whatsoever, and its representative had not, indeed, even participated in the discussions on the draft of that resolution. To suggest that the under-developed countries were merely the tools of capitalist economy and were nothing better than semi-colonial territories of the Great Powers was incorrect and unfair. Those countries had their sense of dignity, were fully aware of what the concept of nationhood meant to them, and were determined to resist any encroachment on their national sovereignty. The Philippines was not a colony of any country. The reference to "the overriding claims of defence" had been suggested by the Philippines delegation to ECAFE. Such claims undoubtedly existed. The Council was perfectly clear as to where aggression lay. The aggressor had, indeed, been branded by the General Assembly itself, and attempts were at present being made to resist aggression in one part of the world. Members of the Council must inevitably regret the waste of effort and intelligence devoted to a discussion of defence, but who was to blame for it? Surely the aggressor was. In his statement on the world economic situation (E/SR.485), he (the Philippines representative) had expressed regret that, at a time when the under-developed countries ought to be experiencing the benefits of international assistance, they should to some extent be deprived of them because, in the interests of all free peoples, they too must look to their defence. His country needed all its resources to carry out its development programme, and yet it had been obliged to make sacrifices, and had had to send a military force to help

those who were fighting aggression. That was the proof of the existence of the overriding claims of defence.

12. Mr. YU (China), speaking in support of the United States amendment, said that its purpose and that of the development of under-developed countries were identical. The latter stood in need of economic aid in order that they might be the better able to protect themselves against aggression. They must be able to defend themselves against those who were seeking to conquer the world. A country like the Philippines, which was supposed to be under-developed, had been given its independence by the United States of America, and yet the latter was now accused of having designs on the freedom and the economic development of weaker countries. The Philippines representative had rightly made it clear that the supreme task was to try to find the means of checking aggression. The United States amendment was important and timely. It could only be regretted that appropriate defence measures had not been thought of before certain free countries—and he would recall the case of his own—had fallen victims to aggression. None the less, it was better to take action late than never, and he wholeheartedly supported the United States amendment.

13. Mr. ISMAIL (Pakistan), referring to the original Pakistani amendment (E/L.193) to the Philippines draft resolution, said that that amendment laid down the fundamental principle that the standard of living in the under-developed countries could be raised only through economic development, which was to a very great extent dependent on the supply of capital goods. At the seventh session of ECAFE, held at Lahore, in March and April 1951, the Pakistani delegation had taken the initiative of submitting a draft resolution concerning the supply of capital goods, in order to make it absolutely clear that, without such a supply, the countries of South and South-East Asia could not carry out the six-year programmes which were known the world over as the Colombo Plan. Those programmes depended upon the supply of capital equipment and industrial raw materials. Indeed, the greater the extent to which such supplies were assured the more firmly would peace and security be established. A higher standard of living for peoples which were poor was essential for the maintenance of peace.

14. As to the Philippines draft resolution (E/L.182/Rev.1), that, too, referred to the need for national measures to counteract inflationary pressures. There again, as was made abundantly clear in the report of the group of experts appointed by the Secretary-General under Council Resolution 290 (XII) entitled *Measures for the Economic Development of Under-developed Countries* (E/1986), it was essential that additional financial assistance should be made available and, furthermore, that those countries which were expanding their export trade in primary products should be able to convert their foreign exchange resources into capital goods. Otherwise, inflationary pressures would persist.

15. Mr. KATZ-SUCHY (Poland) denied that he had stated that the resolution of ECAFE on the supply of capital goods had been adopted under pressure; all that

he had said was that the words "overriding claims of defence" had been inserted on the initiative of and under pressure from the United States Government. The Philippines representative would no doubt recall the discussions which had taken place in ECAFE and the comments of the Indian Press during its session in Lahore. Certainly, the aggressor had been identified. The whole world knew who was responsible for aggression in the Far East, and knew, too, what methods were being used by the United States of America against the free peoples of the world.

16. Mr. SCHNAKE VERGARA (Chile) said that general agreement prevailed on the need for defence, and that a reference thereto in resolutions dealing with the world economic situation was by no means an innovation. Indeed, the Chilean Government had participated in various meetings where the question had been discussed with a far more acute sense of reality, and a number of previous resolutions had expressed the need for defence much more categorically. He had at first thought that the question should be dealt with under item 4, rather than item 2, of the agenda, but, in view of the fact that several delegations attached importance to the point and that a number of amendments had been submitted, he would be prepared to accept the inclusion of a reference to defence in the draft resolution under consideration. But, since that resolution did not apply to the industrialized countries alone, he would suggest that the United States amendment be introduced by the expression "in the light of" instead of "subject to". The latter formula would not be acceptable to his delegation.

17. Mr. LUBIN (United States of America) accepted the Chilean representative's suggestion.

18. Mr. BALMACEDA (Philippines) said that he was prepared to incorporate the joint Pakistani/United States amendment, as further amended by the Chilean representative, in the text of his draft resolution (E/L.182/Rev.1).

19. The PRESIDENT declared the discussion closed and recalled that the Philippines draft resolution (E/L.182/Rev.1) now incorporated the first Pakistani amendment (E/L.193) as well as the joint Pakistani/United States amendment to insert the following paragraph between paragraphs 1 and 2 of the draft resolution:

"Recommends to the industrialized countries that in the light of the overriding needs of defence, they make every possible effort to ensure that supply difficulties do not interfere with the development plans of under-developed countries."

20. The PRESIDENT put to the vote the Soviet Union amendment (E/L.190) proposing an alternative text for the third paragraph of the preamble.

The amendment was rejected by 14 votes to 3.

21. The PRESIDENT put to the vote the Soviet Union amendment for the insertion of a passage in the first operative paragraph of the Philippines draft resolution.

The amendment was rejected by 11 votes to 3, with 3 abstentions.

The Philippines resolution (E/L.182/Rev.1), as amended, was adopted by 14 votes to none, with 3 abstentions.

22. The PRESIDENT stated that the Council had now concluded its work on item 2 (b) of the agenda.

Economic development of under-developed countries (E/1986, E/2007 and Add.1 to 5, E/2024, E/2029 and Add.1, E/2047 and Add.1, E/2061):

- (a) **Methods of financing economic development;**
- (b) **Report of the group of experts appointed by the Secretary-General under Council resolution 290 (XI), paragraph 22, on measures for the economic development of under-developed countries.**

Report of the Economic, Employment and Development Commission (sixth session) (E/2006)

23. The PRESIDENT, opening the discussion on items 4 and 3 of the agenda, drew the attention of the Council to the report (E/1986) by the group of experts entitled *Measures for the Economic Development of Under-developed Countries*, the report (E/2006) of the Economic, Employment and Development Commission for its sixth session, and to the report (E/2061) of the Economic Committee. Studies on the economic development of under-developed countries had been undertaken in response to General Assembly resolution 400 (V) and Council resolutions 294 (XI) and 342 (XII), and the report of the group of experts contained a number of recommendations concerning methods of financing economic development.

24. Mr. SCHNAKE VERGARA (Chile) first informed the Council that his delegation had found it necessary to modify and define more precisely its attitude to the draft resolution on the financing of economic development submitted to the Council by the Economic Committee. A careful study had convinced it that the recommendations contained in the draft resolution did not correspond to the present stage of the studies, including those on methods to promote the financing of private undertakings and non-self-liquidating projects in the under-developed countries. Further, those recommendations did not represent what the General Assembly expected from the Council.

25. In accordance with General Assembly resolution 400 (V), the Council, at its present session, was to prepare for the next session of the General Assembly precise recommendations on practical methods, conditions and policies for achieving an adequate expansion and a steadier flow of foreign capital, both private and public, and to pay special attention to the financing of non-self-liquidating projects which were basic to economic development.

26. The Council was to study the various aspects of the problem in the light of the report (E/1986) of the group of experts entitled *Measures for the Economic Development of Under-developed Countries*, of the report (E/2006) prepared, as a result of the experts' findings, by the Economic, Employment and Development Commission

at its sixth session, and of the relevant proposals submitted by member governments.

27. With regard to the report of the group of experts, he intimated that his delegation approved of the proposals it contained, and also of recommendations 13, 14 and 16 therein (page 95).

28. Those three recommendations had been variously received by the members of the Council, first of all in the Economic, Employment and Development Commission, and later in the Economic Committee of the Council. Fundamental differences of opinion had been revealed on the question of the necessity for establishing an international fund for the financing of non-self-liquidating projects. Paragraphs 30, 31 and 32 of the report of the Economic, Employment and Development Commission (E/2006) clearly illustrated those differences.

29. In the course of the discussions in the Economic Committee during the last week in July, the Chilean delegation had attempted to secure a compromise on the necessity for establishing the international fund for the financing of non-self-liquidating projects. But, after a careful study of the draft resolution submitted by the Committee, it had reached the conclusion that the text, on the one hand—although recognizing the fact that non-self-liquidating projects needed in some cases to be financed by grants-in-aid, as had been envisaged in paragraph 11 of the earlier draft (E/AC.6/59/Rev.1) submitted by the United States delegation—constituted a repetition of previous recommendations, and that, on the other hand, it would have the effect of postponing solutions by recommending more detailed study. As a result, the Chilean delegation considered it necessary to explain its attitude on the subject, as it had previously done in the Economic, Employment and Development Commission and in the Economic Committee. It was convinced that its own views provided a more accurate picture of the present state of the problem and of the opinions of the majority of the under-developed countries than did the draft resolution.

30. In view of the importance of the problem, it might have been better to draw the attention of the General Assembly itself to the differences of opinion which had arisen. He believed that, as a result of the researches carried out, governments already had at their disposal sufficient data to enable them to reach a decision on clear-cut proposals without further delay. He recalled that in 1948, the General Assembly, following numerous complaints from representatives of under-developed countries of insufficient activity on the part of international financial bodies, had approved resolution 198 (III), recommending that the Council "give further and urgent consideration to the whole problem of the economic development of under-developed countries in *all* its aspects".

31. On 4 March 1949, the Council, in its turn, had adopted resolution 179 (VIII), in which it had requested the Secretary-General to prepare a report on methods of financing the economic development of under-developed countries, including methods of stimulating the international flow of capital for that purpose.

32. In August of the same year, at its ninth session, the Council had studied the Secretary-General's report, but had decided that the time was not appropriate to undertake an exhaustive study of the problem of financing. During that session, the Council had laid the foundations of the procedure to be followed for the international administration of an expanded programme of technical assistance, such as to bring about a large increase in the number of requests for the international financing of projects. The Council had decided to defer, if possible until its following session, a detailed discussion of the measures necessary to stimulate capital investments, both domestic and foreign. It had further asked the Secretary-General to prepare new studies on private foreign investments and on methods of increasing domestic savings with a view to economic development.

33. In the same year, the Council had submitted to the General Assembly a concrete programme¹ of technical assistance for economic development and for the financing of that development. It had further undertaken to make a close and rapid study of those problems. The Assembly had noted with satisfaction the expanded programme of technical assistance. However, the great majority of under-developed countries had pointed out that no programme of technical assistance would bring about a solution of the problem of economic development unless it were accompanied by measures for its financing.

34. The General Assembly, in its resolution 306 (IV), took note of the arrangements made by the Council and looked forward specifically to receiving the Council's studies and recommendations on the problems of the financing of economic development in under-developed countries. The General Assembly had also recommended the Council to continue to pay urgent attention to those problems, while giving due consideration to questions of a social nature.

35. In February 1950, the Council, considering the studies made up to that time to be inadequate, had deferred the discussion of the question until its next session; at the same time, it had instructed the Sub-Commission on Economic Development to prepare on its behalf practical recommendations for financing economic development, and to submit them to the Council at its eleventh session.

36. During that session, the Council had dealt with the problem of financing on the basis of the following documents: the report (E/1356) of the Economic, Employment and Development Commission (fourth session); the report (E/CN.4/80) of the Sub-Commission on Economic Development; the report (E/1584) by a group of experts entitled *National and International Measures for Full Employment*, in which it had been recommended that a net annual flow of international capital to an amount of 2,000 million dollars should be directed towards under-developed countries (the amount in question had been considered indispensable for the attainment of full employment in the countries concerned, while ensuring the economic stability of industrially developed

countries); and, lastly, various studies prepared by the Secretary-General pursuant to previous resolutions of the Council concerning, *inter alia*, measures for increasing domestic saving and to enable the Council to contribute to economic development in the most effective way. Discussions on that question had resulted in the adoption of Council resolutions 290 (XI) and 294 (XI). Resolution 294 (XI), in his opinion, embodied the most constructive set of recommendations which the Council had ever adopted on the subject.

37. The recommendations, prefaced by very clear introductory considerations, recognized the close connexion between the economic development of the under-developed countries, the standard of living of their population, and the relationship between economic development and the stability of world economy. Those considerations also emphasized that the present financial resources had not been sufficient to accelerate the economic development of the under-developed countries, and that such accelerated economic development required more effective and sustained mobilization of domestic savings and a more stable flow of foreign capital investment.

38. He further recalled that, on that occasion, the Council had declined to adopt a proposal for the setting-up of a special committee to investigate whether the international bodies at present dealing with questions of financing were adequate or not. He considered that that had been a premature decision when it was not known how matters would develop, and especially whether the International Bank for Reconstruction and Development would pursue its new policy more vigorously, as it was hoped.

39. The General Assembly had, at its fifth session, considered Council resolution 294 (XI). The Council's action had given rise to a veritable storm of criticism on that occasion, and the majority of the under-developed countries had denounced the resolution as inadequate. The Chilean delegation, in a spirit of solidarity, and because it had been confident that the Council would take more effective action in 1951, had staunchly defended the resolution, but the General Assembly had not shared that opinion and had, in its resolution 400 (V), issued a very definite directive to the Council.

40. After reading those texts, he felt convinced that what the Council should do at its present session was not to call for further studies, but to adopt resolutions amounting to concrete recommendations to the General Assembly at its next session.

41. Turning to the report (E/2061) of the Economic Committee, he maintained that it showed no advance at all on what had been done before. For the most part, it merely reproduced earlier decisions on national and international measures for increasing the flow of public and private capital. With regard to the two new points which the economic studies had brought out, the Economic Committee's report would merely tend to delay the establishment of the organs regarded as calculated to help in the financing of private enterprise and non-self-liquidating projects in the under-developed countries.

¹ See *Official Records of the General Assembly*, fourth session, supplement No. 3 (A/972).

42. The recommendations in section (A) of the draft resolution were the same as those approved by the Council in connexion with the expansion of the flow of foreign capital in paragraphs 2 to 8 of resolution 294 (XI) of 12 August 1950, and in paragraph 15 (a) of resolution 290 (XI) of 15 August 1950 on full employment.

43. The recommendations in paragraph 6 (a), (b) and (c) and in paragraph 7 (a), (b) and (c) in section (B) of the Economic Committee's draft resolution—on the subject of expanding the flow of private capital—were merely variants of the recommendations in paragraph 8 (a) and (b) of resolution 294 (XI). Moreover, no advance had been made on what had gone before, since double taxation had already been the subject of bilateral negotiations between a number of governments, and of various international conferences—for example, the Inter-American Meeting of Ministers for Foreign Affairs.

44. As to the expansion and steadier flow of public loan capital, paragraph 9 of the draft resolution merely reiterated the principles laid down in resolution 294 (XI), while paragraph 10 repeated the recommendations made in paragraph 17 of resolution 290 (XI) and those of paragraphs 9, 10 and 11 of resolution 294 (XI). Under paragraph 8, no more would be done than to request the International Bank to consider whether an international finance corporation—an institution contemplated in the report of the group of experts—could make significant additional contributions to economic development, over and above those that could be made by existing organizations, and the Bank had already answered that question.

45. Turning to the question of the financing of private enterprise in the under-developed countries, he pointed out that the background of the question of an international finance corporation was well known; and he cited the assertion of the Chilean representative at the eleventh session of the Council that anything to be said on the subject of foreign capital investment had already been said. On that occasion (383rd meeting) the Chilean representative had drawn attention to a somewhat uncommon method of financing—namely, investment in the Rockefeller type of "basic economy corporation", practised in a few countries only. Investments of that kind, to judge from past experience, might very well be more generally adopted. The Chilean representative had then given particulars as to the manner in which the system functioned, its aim being to build up capital reserves to encourage the flow of capital in any given country. He had demonstrated that that particular method of financing met almost to a nicety the legitimate needs of countries to expand the inflow of national capital and the revenue from real capital in the under-developed regions.

46. Under-developed countries were tending to encounter greater and greater difficulties in the matter of financing, especially in finding the foreign currency essential to private undertakings if they were to carry out their programmes for extending, modernizing and renewing their equipment and machinery. That applied equally to agriculture. In fact, the foreign currency income from exports was not sufficient to finance the

enterprises vital to the development and need for expansion of private industry.

47. The necessity for financing private enterprise became particularly urgent at certain times in the case of countries which had already begun to industrialize and to widen the scope of their economies, as was the case in Chile and other States. Thus, in order to raise the level of supply of foodstuffs and consumer goods, the private sectors of agriculture and industry must be enabled to acquire the foreign currency necessary to pay for imports of machinery and modern mechanical equipment and to acquire up-to-date techniques. The International Bank for Reconstruction and Development could meet such needs by means of loans to governments or to the central banks of the countries concerned, and earmarked specially for the modernization of agriculture and particular industries or for the improvement of their equipment. At the same time, he was of the opinion that, in certain important industrial branches, the best method of financing was the establishment of a finance corporation for the purpose of assisting private enterprise in such countries or of creating new undertakings. He therefore welcomed the statement made by the representative of the Bank to the Economic, Employment and Development Commission, which was contained in document E/2029. The relevant passage read as follows:

"In the Commission's consideration of the proposed finance corporation, the experience of the Bank is, I believe, very relevant. We found, early in our operations, that our contribution to the expansion of private investment in the under-developed countries was limited by two factors. The first is the requirement in our Charter that Bank loans must be guaranteed by the government of the country in which the project is located. It is politically very difficult for any government to guarantee a loan to private enterprise because, by so doing, it lays itself open to the charge of favouring that particular enterprise over its competitors or over various public projects . . . We have tried to meet this difficulty in some cases by making credits available to private enterprises through the medium of a development bank or a banking consortium of the type I have already referred to, but this is only a partial answer to the problem. The second limitation has been the fact that the Bank has not available to it funds for equity investment. There are many private undertakings of a kind which would contribute greatly to development and which could be carried forward with the help of equity financing but which it may not be practicable to finance entirely on a loan basis.

"Because of our recognition of these limitations on our financing of private enterprises, the Bank welcomed the suggestion made by the United States International Advisory Board, headed by Mr. Nelson Rockefeller, that an international finance corporation be created as an affiliate of the International Bank, designed to enable the Bank, through the corporation, to make loans to private enterprises without a governmental guarantee, and to make equity investments in participation with private investors. We believe that such a corporation would provide a very useful

supplement to the Bank's existing lending authority. We have been glad to know, therefore, that the experts consider this suggestion worthy of further study."

48. He (the Chilean representative) supported the recommendation that the proposal for the creation of an international finance corporation affiliated to the Bank should be studied, whereas paragraph 8 of the Economic Committee's draft resolution recommended the study of its utility. Those were two entirely different questions, and paragraph 8 of the Economic Committee's draft resolution should be modified so as to make that clear.

49. As an illustration of the fundamental implication of his proposal, he read out certain passages from *Partners in Progress* (page 84), a pamphlet embodying Mr. Rockefeller's proposals:

"... take the initiative in creating an international finance corporation, as an affiliate of the International Bank, with authority to make loans in local and foreign currencies to private enterprise without the requirement of government guarantees and also to make non-voting equity investments in local currencies in participation with private investors.

"The authority to make non-voting equity investments would make it possible to launch numerous productive enterprises which would otherwise never be started for want of adequate financing. It would also make it possible to avoid over-loading a new enterprise with the fixed charges of loan financing. With the earnings drawn from successful enterprises, the international finance corporation would be able to offset the exchange risks it would assume in making investments in local currencies.

"The equity investments of the international finance corporation should not carry voting rights so long as they are held by the Corporation. Hence it would not acquire control or responsibility for management. As an enterprise in which it invested became profitable, the Corporation would offer to sell its interests to private investors. By thus offering seasoned securities to local investors, the Advisory Board feels the Corporation would help under-developed countries direct the savings of their people into productive enterprise."

50. Passing to the question of non-self-liquidating projects essential to economic development, he said that the studies which had so far been made on the subject showed that the existing system of loans was not adequate for financing the majority of such projects, and that if they were to be carried out, either international grants-in-aid or international long-term loans at almost nominal rates of interest would be required. Governments were responsible for most of those projects, since they consisted of projects for road construction and the improvement of communications, ports, irrigation, agriculture, health education and technical training. Their execution was essential if the right economic climate for private investment were to be created. Many land reform projects and plans for improving agriculture by means of mechanization and the introduction of modern techniques had come to nought because the governments concerned had been unable to find the money for providing trans-

port, health and communication facilities and the like. In some sparsely populated countries it was impossible to arrange the necessary immigration because of the lack of such facilities. Many schemes to raise consumption levels and reduce food prices had failed because of a lack of transport and of inadequate facilities for storing the food. Such projects for carrying out public works and providing basic services were not self-liquidating, because they were very slow in their effect and produced only indirect benefits, which were, however, most important for diversifying an under-developed economy—as important as basic development of power and fuel production. Indeed, such development could not take place otherwise.

51. He had noted with satisfaction that the Bank, the United States International Development Advisory Board and the group of experts all agreed that grants were needed to finance such non-self-liquidating projects, and that that principle had been reaffirmed in paragraph 11 of the draft resolution submitted by the Economic Committee. Where members of the Council differed was on the question of the ways and means of providing such grants. As stated in paragraphs 270-278, and in recommendation 14, of the experts' report, they advocated the establishment of an international development authority with power to distribute grants-in-aid for specific purposes. Although the Council had disagreed on the question of ways and means, the three authorities he had just mentioned had all agreed that such grants should be made internationally. As the representative of the Bank had stated: "in some countries, the rate of development cannot be accelerated substantially if the only external capital they receive is in the form of loans which have a reasonable prospect of repayment. If additional assistance is to be given to these countries, we believe strongly that it should be in the form of grants, rather than in the form of quasi-loans, and that the grants should preferably be administered through international channels"; and that, "if the Commission should endorse the recommendation for an international development authority", it should consider carefully "the problem of co-ordinating the activities of such an authority with those of the International Bank, so that both loans and grants might be used most effectively to achieve the common development objective. To this end we call to the attention of the Commission the proposal contained in the Rockefeller committee report that such co-ordination might be best achieved through a management contract between such an authority and the International Bank."

52. That showed that the International Bank had studied the problem in all its aspects. It was also of the opinion that "the decision whether to make grants available for this purpose is one which only the more advanced countries can make in the light of their own national policies, resources and the totality of their commitments". The terms of paragraph 11 of the Economic Committee's draft resolution seemed to indicate, however, that that point had already been decided.

53. For all those reasons, his delegation could not support paragraph 16 of the draft resolution submitted by the Economic Committee, which merely invited the

Secretary-General, "in consultation with the International Bank for Reconstruction and Development and the specialized agencies concerned, to keep under active consideration the problems and methods of domestic and external . . . financing of non-self-liquidating projects". What aspect of the problem would the Bank examine which it had not already examined? It had already made known to the Council its opinion on the basic features of the problem.

54. The main point on which members of the Council differed was the question of whether an international fund should be established for making grants. Paragraph 16 of the draft resolution contained no decision on that issue; but it was highly necessary and desirable that the Council should take such a decision, or at least make an attempt to reach agreement on a solution.

55. His delegation believed that, in the first place, such an international fund should be created, for without it neither the Bank nor any other body could make any progress towards solving the problem of financing non-self-liquidating projects essential to economic development. The Chilean delegation agreed with the views contained in the Rockefeller committee's report and the report of the group of experts on the subject, and failed to understand why the United States delegation did not. The Chilean delegation would therefore propose that the Council should ask the General Assembly to grant it the necessary authority to make arrangements for establishing such a fund and that, after such authority had been given, the Council should at its next session study the best procedure for setting up and administering it.

56. Although the Chilean Government preferred international long-term loans at nominal rates of interest to international grants, since such loans seemed more adequate and their acceptance more consonant with the dignity of States, the important point was that the under-developed countries should receive international financial assistance, at low cost, for financing non-self-liquidating projects, since such assistance was the only means by which they could increase their ability to absorb increasing quantities of foreign capital and to make payments; the Chilean Government was prepared to agree to grants as opposed to long-term loans at low interest rates, in accordance with the recommendations of the Bank and the Rockefeller committee. A country which received such financial assistance through international co-operation would more easily be able to afford the high rates of interest which the Bank had to charge.

57. For international co-operation in the development of under-developed countries to be really effective, all means of financing their development should be used—private capital, international loans and grants. International grants could be dispensed with only if the Bank were provided with larger funds from governmental sources.

58. As many countries as possible should contribute to the proposed fund. He fully understood why countries which had formerly exported capital were no longer in a position to do so, and why the burden of existing obligations in respect of financing economic development fell almost entirely on one country—the United States of

America. But, in order to create a healthy basis for international trade and to give practical effect to the principle of world economic and political solidarity, the countries which had formerly been exporters of capital should agree to devote part of their increased income, which resulted from the higher productivity they had recently achieved, to promoting general economic development. Apart from normal international trade, the only action those countries were at present taking to promote general economic development related to their overseas territories, and to a small number of barter operations or medium-term measures relating to the development programmes of under-developed countries. The only exception was the United Kingdom, which had recently authorized the Bank to raise a loan of some £5 million sterling from private investors in the United Kingdom.

59. Both production and productivity should be increased. That increase should be brought about by applying new production methods, and employers would have to adjust their attitude. Agricultural and industrial production methods could not be improved unless the workers benefited from the increases and their purchasing power was raised. He had noted with satisfaction that the Economic Co-operation Administration (ECA) had taken steps to assist firms which complied with that condition in Europe. If that action proved successful, as it should do, production levels in Europe would be substantially raised; and that would at the same time disprove the allegation that the countries of Western Europe had been given financial assistance only in order to make them economically dependent on the United States of America.

60. But the countries of Western Europe should also devote part of their increased production to making available the machinery and equipment which the under-developed countries needed if they were to become effective partners in the common defence effort. In the present crisis, the problem was one of insufficient production of raw materials, machinery, equipment and food rather than one of lack of capital.

61. Almost all countries, with the exception of the Union of Soviet Socialist Republics, had expressed the desire to play an effective part in international efforts to promote economic development. But efforts to do so in practice were at present almost entirely confined to the United States of America; and he had noted with great satisfaction the repeated declarations of representatives of that country that it was ready to make even greater efforts in the present crisis. But present efforts to help the economic development of under-developed areas represented only a small part of the total effort that could be made, and there was accordingly a danger that the assistance already given might be wasted. He was well aware of the reasons for the present world crisis, which was preventing the deployment of full-scale international assistance for economic development. The Chilean Government would play its part in the defence of the free countries of the world to the best of its ability. But it believed that the economic development of the under-developed countries was the most essential requirement for world-wide social security and economic stabi-

lity, and that, during the present crisis, the financing of such development should be given equal priority with the social welfare programmes which highly industrialized countries considered essential for ensuring high standards of productivity.

62. The Chilean Government did not think that the financial co-operation and the special international fund which it favoured could be realized immediately, or that the financial resources which would be required when the scheme came into full operation could be provided forthwith but it did consider that they should be established as soon as possible.

63. To sum up his delegation's position, he would make the three following points: first, a sustained effort should be made with all necessary flexibility to bring about a considerable increase in the annual investment rate of the International Bank for Reconstruction and Development; second, the Bank should be requested to recommend to the Council methods of organizing and administering the proposed international financial corporation to help finance private firms in under-developed countries; and, third, the Council should ask the General Assembly to authorize it to establish an international fund for helping to finance non-self-liquidating projects essential to the economic development of under-developed countries, by means of grants-in-aid.

64. The Chilean delegation was of the firm opinion that the Council should take a clear-cut decision capable of producing real progress along some of the lines of the recommendations of the group of experts. Even a decision to reject those recommendations would be better than no decision at all, since the position and responsibility of each member of the Council would be made clear. The Chilean delegation wished to retain its moral right to propose the solutions it thought best in the General Assembly, whose clear opinion on the matter, which the Council already knew, should be respected, not ignored. That opinion was to be found, not only in resolution 400 (V), but also in paragraph 15 of General Assembly resolution 377 (V).

65. Mr. SINCLAIR (Canada) asked whether the Council was holding a general discussion on the methods of financing the economic development of under-developed countries, or simply considering the report of the Economic Committee.

66. The PRESIDENT pointed out that, in his opening remarks, he had made it clear that not only the Economic Committee's report (E/2061), but also the report of the group of experts (E/1986), and the report of the Economic, Employment and Development Commission (sixth session) (E/2006) were open for discussion.

67. Mr. SCHNAKE VERGARA (Chile) said that perhaps the Canadian representative had not fully comprehended the reasons why the Chilean delegation had submitted its amendments (E/L.195). He (Mr. Schnake Vergara) had explained that the position of the Chilean delegation had changed since the item had been discussed in the Economic Committee. Moreover, the Economic Committee had considered thoroughly only two of the many aspects of methods of financing economic

development. It would also be recalled that he had reserved his right in the Committee to make a general statement on the item before the Council.

68. Mr. CORLEY SMITH (United Kingdom) said that neither he nor, he believed, any other representative, was questioning the right of members of the Council to re-open before the Council matters which had been discussed in committee; but it did seem clear that the Council was in some procedural confusion.

69. At the twelfth session (461st meeting), the head of the Chilean delegation had urged that a special meeting of governmental representatives should be convened to discuss the item at present before the Council; in the face of the opposition of the United Kingdom delegation, it had then been decided that, in addition to the examination of the item by the Economic, Employment and Development Commission, it should also be examined at a special session of the Economic Committee before the opening of the thirteenth session proper of the Council. The Economic Committee had duly met, and qualified experts, representing most of the governments members of the Council, had attended all its meetings. The result of the Committee's work was embodied in the draft resolution set out in its report adopted by 14 votes to none with 3 abstentions, the representative of Chile having been among those who had voted in favour. But the Chilean representative had now challenged the wisdom of that draft resolution and had gone back to the very roots of the matter. He failed to understand why the Chilean delegation had introduced at the present juncture important new considerations which it had not seen fit to put forward in the Economic Committee.

70. Mr. DE SEYNES (France) suggested that, since the Chilean amendments had only been circulated during the course of the meeting, further discussion of the item be deferred until the following day.

71. Mr. SCHNAKE VERGARA (Chile) said, in reply to the United Kingdom representative, that, as he had already pointed out, the Economic Committee had thoroughly discussed only two of the many aspects of the item before the Council; it had barely touched on others. It was true that he had submitted an amendment to a draft resolution in favour of which he had voted in the Committee, but it was by no means the first time that that had been done.

72. Mr. ISMAIL (Pakistan) thought that the item before the Council was so important that representatives should be free to speak on all its aspects.

73. Mr. BALMACEDA (Philippines) agreed with the Pakistani representative.

74. Mr. CORLEY SMITH (United Kingdom) said that the Chilean representative had misunderstood him. He had not challenged the Chilean representative's right to make new proposals; he had simply pointed out that the procedural arrangements which the Council had made to save time—in particular the convening of the Economic Committee before the opening of the session—had been frustrated, and that to introduce, as the Chilean representative had now done, radically new considerations

after the Economic Committee had concluded its work on that item was not in the best interests of the Council's work.

75. Mr. ADARKAR (India) said that, at the twelfth session, he had urged that the item before the Council should be fully discussed; he had agreed to the procedural arrangements which had been made as a compromise. Those arrangements had failed, and, in the circumstances, there was little point in arguing about that failure. It should be remembered that some delegations could not obtain instructions from their governments as easily as could delegations from European countries. The Economic Committee's draft resolution went no further than what had been agreed upon as long ago as the ninth session of the Council, and consequently called for a re-opening of the whole question. It was therefore useless to discuss procedure further; the debate should proceed and each representative should be free to comment on any aspect of the economic development of under-developed countries.

76. Mr. LUBIN (United States of America) said that he was not, of course, denying the right of delegations to submit amendments to a draft resolution at any time before the general discussion in plenary meeting was closed; but the amendments submitted by the Chilean delegation were most unusual: they struck at the fundamental principles on which the draft resolution recommended by the Economic Committee had been based. They represented such a change of position that the United States delegation, whose Government had carefully studied the draft resolution, could not take part in the discussion of the Chilean amendments for at least twenty-four and probably for forty-eight hours.

77. After a further exchange of views, it was proposed that further discussion of the item should be deferred.

It was so agreed.

The meeting rose at 1.30 p.m.