

United Nations  
**GENERAL  
ASSEMBLY**

**EIGHTH SESSION**  
**Official Records**



**SECOND COMMITTEE, 265th  
MEETING**

**Monday, 26 October 1953,  
at 10.30 a.m.**

**New York**

**C O N T E N T S**

	Page
Economic development of under-developed countries ( <i>continued</i> ):	
(a) Question of establishing a special fund for grants-in-aid and for low-interest long-term loans: report of the Economic and Social Council;	103
(b) Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council	

**Chairman: Mr. Leo MATES (Yugoslavia).**

**Economic development of under-developed countries (A/2430, A/2447 and Corr.1) (*continued*):**

- (a) **Question of establishing a special fund for grants-in-aid and for low-interest long-term loans: report of the Economic and Social Council (A/C.2/L.204, A/C.2/L.205, A/C.2/L.206);**
- (b) **Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council**

[Item 26]\*

1. Mr. MIR KHAN (Pakistan) said that his delegation attached great importance to the question of financing economic development programmes in the under-developed countries. Those countries must have available the capital necessary to achieve economic progress. He recalled in that connexion his statement of 30 September 1953 on the technical assistance programmes (251st meeting). The mobilization of national capital must be an essential objective of the under-developed countries. The Pakistan Government, for example, had taken steps to reduce public and private expenditure and encourage investment. It had instituted a compulsory savings scheme under which all civil servants were obliged to contribute part of their income to a fund which invested the amounts thus obtained and paid a certain interest. Pakistan had also enacted a law by which profits from investment in certain industries were exempt from income tax for a certain number of years.

2. Obviously, national capital alone was not enough if the rate of development of under-developed countries was to be increased. His delegation therefore supported the establishment of a special United Nations fund for economic development. He recalled that the Pakistan ambassador, Mr. Amjad Ali, as President of the Economic and Social Council and as a member of the Committee of Nine Experts, had always advocated the establishment of that fund.

\* Indicates the item number on the agenda of the General Assembly.

3. He quoted extracts from the statement made by the United States representative on 14 October 1953 (259th meeting). The Pakistan delegation was glad to note the interest which the United States had in the economic development of under-developed areas, but regretted that that country was not prepared to give the fund its financial support until savings could be made by means of disarmament. He stressed the importance of United States support in establishing the fund. It was, of course, for the United States to decide to what extent and under what conditions it would support the proposed measures; but the under-developed countries thought that economic uplift, by eliminating misery and hunger and by ensuring the welfare of millions of people, was an excellent means of preventing the dissemination of extremist social and political theories. The developed countries should therefore consider the possibility of strengthening security and peace, not only by maintaining their current expenditure on defence but also by accelerating the economic and social progress of the under-developed countries. His delegation paid a tribute to the statement made by the President of the United States on 16 April, but hoped that the minimum capital required to start the fund could come from a source other than savings from disarmament.

4. The discussions in the Second Committee had furnished evidence of the success of the United Nations technical assistance programmes. Unfortunately those programmes could not be carried out without capital. The financial situation of the under-developed countries was at the moment very difficult because of the recession in the prices of raw materials. The International Bank could grant loans only under certain well-defined conditions. International action must therefore be taken to finance non-self-liquidating projects such as road-building, harbour construction and other undertakings essential to economic development.

5. Reverting to the matter of the drop in the prices of raw materials, he pointed out that the difficulties experienced by the under-developed countries in carrying out integrated economic development programmes were due mainly to fluctuations in the prices of primary commodities and to the poor correlation between the prices of raw materials and those of manufactured goods. The time-lag between the drop in the prices of primary commodities and that in the prices of finished products was an unfavourable factor. The small country of Pakistan, for example, had lost approximately \$400 million in one year alone because of the drop in prices, mainly of cotton and jute. Hence the under-developed countries, which had only limited foreign exchange earnings, found it difficult to make long-term development plans. His delegation would therefore welcome the conclusion of arrangements on the lines of the International Wheat Agreement which would stabilize commodity prices and correlate them to the prices of manufactured goods. Such a decision

naturally presupposed the relaxation of the practices which restricted free international trade.

6. After studying the report of the International Bank (E/2441) his delegation held the view that the establishment of an international finance corporation was not only feasible but necessary to supplement the existing means whereby the under-developed countries could secure foreign capital. Private investors generally feared to invest in other countries, either because they were unfamiliar with local conditions or because they were not experienced in such operations. The proposed finance corporation could help to create a favourable climate for investment by working out specific solutions for particular cases. It would also help in the formulation of principles which could be generally applied to safeguard the interests of the investors as well as those of the countries of investment.

7. International opinion on the matter was better informed than it had been in December 1952, when the General Assembly had adopted resolution 626 (VII) laying down the lines of conduct to be followed by the capital-importing and capital-exporting countries, and the time had come for the United Nations to prescribe more specific rules for: (a) taxation on the income from foreign investments; (b) leases and agreements made by groups of investors in foreign countries; (c) conditions under which such investments might be affected by nationalization; (d) the compensation to be paid when such nationalization occurred; and (e) the rate of exchange and other requisites for the repatriation of foreign capital in such cases. The United Nations should draw up a charter on international investments to which Member States could subscribe and which would regulate the use of foreign private capital.

8. He expressed his country's appreciation of the assistance it was receiving through international action as well as from individual countries. In particular he stressed the debt of gratitude which Pakistan owed to the United States. Yet much still remained to be done, and his delegation hoped that the United States would continue to play the very generous role it had undertaken in that field. The report which the International Development Advisory Board had addressed to the President of the United States in March 1951 was encouraging. He quoted some extracts which showed that the originators of the report had fully understood the scope of the problems confronting the under-developed countries and the need for international co-operation. Pakistan had the necessary resources to ensure the welfare of its people. It had the will to develop those resources and thus to combat the dark forces of hunger and discontent which imperilled world peace and security. It asked only for assistance in obtaining the tools and it would do the job.

9. Mr. McKEEN (Canada) observed that the debate on the economic development of under-developed countries had shown that the differences of view in the Committee related more to matters of timing and method than to the objectives embodied in Articles 55 and 56 of the Charter. For example, the three draft resolutions concerning the establishment of a special fund (A/C.2/L.204, A/C.2/L.205, A/C.2/L.206) had enough points in common for it to be possible to reach a compromise which would meet with unanimous approval.

10. Canada was a new country and the Canadian Government had been aware both of the need for eco-

nomie development in certain parts of the world and of the improvement in living standards which could be brought about by the adoption of new methods of production and utilization of natural resources. Canada was making rapid economic strides and had developed its resources with the support of external capital; the financial assistance received had taken the form of private loans and direct private investment rather than of loans from public institutions at home or abroad. In that connexion he pointed out that the fears expressed by some delegations with regard to financing by private capital were not justified. That had been proved by the experience of Canada, which had largely appealed to private capital to develop its resources but had nevertheless kept its national sovereignty intact. Canada's experience clearly showed that the under-developed countries should not underestimate the opportunities open to them through the financing of some branches of their economy with private capital. Sound fiscal policies, well-considered development programmes, equitable tax systems and efficient administration would enable those countries to attract external private capital. Moreover, Canada's own capital markets were available to all foreign borrowers who could meet normal commercial requirements.

11. There were, however, some countries where imports of capital from private or commercial sources must be supplemented by public funds. Because it recognized that fact, the Canadian Government had supported all the plans which culminated in the Bretton Woods Conference and the establishment of the International Bank. It had in addition made its entire capital subscription in the Bank, \$60 million, available for lending to any country; the Canadian Government had also permitted the Bank to obtain capital for the development of under-developed countries by the sale of its bonds in Canada, even when that country was having to adopt currency control measures; that was in addition to loans granted for post-war reconstruction, which by 31 March 1953 had totalled over \$2,000 million. Recognizing also that it was necessary to come to the assistance of countries whose governments could not meet the ordinary commercial and competitive conditions applied to borrowers in the capital-exporting countries, or the requirements of the International Bank, the Canadian Government had collaborated with other members of the Commonwealth in working out the Colombo Plan. Under that plan it had contributed \$25 million and the equivalent of \$1 million in technical assistance for undertakings connected with agriculture, electric power production, transport, irrigation, and the like.

12. The Canadian Government had thus shown that it had recognized the need to supplement assistance from private sources or from the International Bank by external assistance. It was therefore prepared to support any proposal for extending that principle; that was to say, to support, at the appropriate time, the establishment of an international fund to finance economic development within the framework of the United Nations.

13. At present, however, the Canadian people was bearing a proportionately heavy share in the defence of the free world, and had to devote over 45 per cent of its budget to national defence. He was therefore prepared to support the declaration contained in the draft resolution proposed by the United States delegation (A/C.2/L.204). If that resolution were adopted, the Canadian Government would undertake to ask

the Canadian people to devote a large portion of the savings achieved through internationally supervised world-wide disarmament to the financing of an international fund established under the auspices of the United Nations. But, bearing in mind the probable needs of its own expanding economy, the Canadian Government was not able to suggest what portion of the savings would be available for financial assistance; nor did it think it advisable to draw up a draft statute until the circumstances in which the fund would be established were better known. The experience of the International Bank would undoubtedly be valuable at that juncture. He believed that the Committee would

be able to find a formula for solving the important problem of the financing of economic development which all could accept.

14. Mr. JONKER (Netherlands) said that, in the hope of finding a compromise, his delegation would submit an amendment to one of the draft resolutions already proposed. He reserved the right to present the proposal in detail at a convenient time, but he wished to apprise the Committee of his delegation's intention at that point, in the hope of simplifying the debate.

The meeting rose at 11.25 a.m.