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**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, A/C.2/L.207)**
- (b) **Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council**

[Item 26]\*

1. Mr. DE SEYNES (France) felt that, on the whole, the members of the Committee were in favour of leaving the matter open and adopting only an interim solution. The difficulty experienced by the Committee was probably due to the fact that the problem before it implied much more than the establishment of a \$250 million fund for grants-in-aid, which would, when all was said and done, add only a little to the international capital available for the economic development of the under-developed countries. The real problem was the general shortage of capital in the world and the difficulty of placing the available capital where it would maintain the balance of an expanding world economy. The shortage of capital was certainly the major problem confronting the under-developed countries; but unfortunately that did not necessarily mean that the so-called advanced countries had surplus capital which they were seeking to place and which could be directed towards the areas where it was most urgently needed. The Committee must not over-simplify the problem by reducing it to mathematical equations or moral issues. A study of the total sums which made up national income might undoubtedly reveal some outstanding inequalities, but it would scarcely show which countries would have usable surplus capital in a given political and social setting. Similarly, to invoke a moral categorical imperative, as certain delegations had tried to

do, might well give rise to some illusions. Had it been easy to take international action to remedy the inequalities to which the Philippines representative, among others, had drawn attention (252nd meeting), they would probably have disappeared long ago from the domestic life of the under-developed countries.

2. Continuing his analysis of the point of view of the representatives of the under-developed countries, he recalled that at the 263rd meeting the Indonesian representative had drawn the Committee's attention to the difficulties caused by the functional relations between income and consumption, and had said that the lower the income, the higher the marginal propensity to consume and hence the fewer the investments, which were so essential to raising the level of income. Thus, a certain threshold had to be reached, and the size of income should be such as to reduce the marginal propensity to consume, so that savings, investments and production could increase. The Indonesian representative had shown that the least developed countries had not yet passed that threshold. That analysis, however, had wider implications than the Indonesian representative had probably wished to give it, since it did not apply to the least-developed countries only. The concept of the marginal propensity to consume was deeply rooted not only in economic but also in social and political realities; and the Indonesian representative's idea of a threshold to be crossed could be accepted only on the clear understanding that the position varied from one country to another, and from one year to another for any given country. It would be false to contend that political and social tensions were necessarily greatest in the poorest communities. Certain economically-developed countries, such as France, were also in the position described by the Indonesian representative. They could not control as they wished the variable factor of marginal propensity to consume. The post-war years had shown, among other things, that a policy of austerity was in certain circumstances possible only within fairly narrow limits, which varied according to the political and social situation in each country, and that to overstep them would expose the national community to dangerous shocks or the equally dangerous process of slow disintegration.

3. Moreover, even if the first threshold were crossed, the industrialized countries would still have to cross a second. They would have to decide whether to place investment capital abroad, or on the spot, within the zone of sovereignty in which it had come into existence. Habits of economic nationalism dating from more than twenty years back had led to a complete change in the criteria for assessing the soundness of private and even public investment. It had previously been of little or no importance whether the undertaking in which a capitalist was interested was situated within the national territory or in a distant country over which his government had not the slightest control. The situation was totally different now; and, even before restrictions

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

on the transfer of capital had exerted to the full their effect of depriving capital of one of its essential attributes, the custom had arisen of considering capital as a part of the nation's property which was more safely and normally used solely to build up a homogeneous national economy directed at satisfying the needs of the population in a given territory. The trend of development had been such that, at certain periods and under certain regimes, the activities which had once produced a flow of capital towards the under-developed countries had come to be considered as offences or even crimes. Short of that, the legislation of most countries had embodied all sorts of expedients to give preferential treatment to capital invested within the national territory and the dependent territories. That situation, which was partly due to the economic crisis that had preceded the war and to the war itself, had been established without meeting sufficient resistance from the industrialized countries. It should be set right, as far as possible; but the pressures that now determined the world economic situation must not be under-estimated. Industrialized countries such as France were obliged to take such pressures into account when they considered the possibility of making additional investments in under-developed countries.

4. The problem of the shortage of capital, moreover, affected the industrialized countries in much the same way as the under-developed countries. In particular, the difficulties resulting from the functional relations between income and consumption were extremely marked in the industrialized countries, where they had simultaneous economic, political and social implications. Never before had the need for capital been so urgent in the industrialized countries as today. The concentration of capital necessary to produce consumer goods was constantly and rapidly increasing; some industrial countries which had suffered considerable war damage were also obliged to modernize their industrial equipment and economic structure. For example, the investments necessary to enable France to compete on the world market in agriculture alone had been estimated at 400,000 million francs, and in the under-developed territories for which France was responsible the investments in 1952 had amounted to almost \$500 million.

5. The United Nations deserved praise for throwing into relief the problem of the economic development of the under-developed countries. Possibly, however, less than enough stress had been laid on the fact that the problems caused by the world shortage of capital could not be solved so long as the strictly nationalist tendencies to which he had just referred persisted. He therefore associated himself with the statement made by the representative of Iran (267th meeting) drawing the Committee's attention to the need for correcting the erratic nature of investments and replacing the bygone international division of labour by new forms of co-operation and co-ordination. The Special United Nations Fund for Economic Development would doubtless contribute towards solving the problem. Nevertheless, for the reasons which he had just stated, the French Government could not at the moment take part in establishing that fund. As in all countries where the activity and responsibilities of the State had increased, the French Government had to attempt to maintain a level of public expenditure consistent with the best economic performance of the nation as a whole. It could not therefore for the time being undertake any new ventures. The French delegation would support the draft resolution submitted by the United States delegation

(A/C.2/L.204) because it considered that only a transfer of funds from unproductive purposes to external financing offered real possibilities in the present circumstances. A link between disarmament and the financing of economic development had first been established in 1951, when the Indian delegation had submitted a draft resolution to that effect.<sup>1</sup> It should be possible to use that idea as a starting-point for an effort by the United Nations to fulfil its functions.

6. The French delegation was anxious to join in any negotiations on the different forms of words proposed during the discussion of the various draft resolutions. It would greet with an open mind all suggestions and all possibilities of compromise which might result in forms acceptable to all.

7. U MAUNG MAUNG (Burma) stressed the need to accelerate economic development in the under-developed countries. Such development depended primarily upon the efforts of the people of those areas; but since the world economy was an indivisible whole, economic problems could only be solved by concerted action on a world scale. Certain highly industrialized European countries had recognized the interrelation of the problems which had arisen in the post-war world and the need to solve the problem of economic stability at the world level. If the under-developed countries received no foreign aid, they would not be able to exploit and develop their considerable potential resources. It was therefore essential that United Nations technical assistance should be supplemented by financial assistance.

8. In their speeches, the members of the Committee had analysed the world economic situation in detail and suggested certain remedies by which the present imbalance could be corrected. He would therefore confine himself to present economic conditions in his own country, which was part of the under-developed area. By the end of the Second World War, the Burmese economy had suffered very serious damage. Despite the destruction of industrial installations, the position had been starting to improve when a series of insurrections had broken out between 1948 and 1950. Burma had then found itself in a position as serious as at the end of the war. After quelling the insurrections, the Government had turned its attention to the two fundamental economic problems which had to be solved. First of all the economy had to be brought up to its pre-war level. Owing to the extent of the damage, that would take many years, even if investment reached the relatively high level of 1946-1948. The population, however, had increased and was continuing to increase. The second task was therefore to increase the number of schools and hospitals, build new roads, find more cultivable land, set up hydro-electric power stations and factories, procure machinery and equipment and build houses, all at an accelerated rate keeping pace with the growth of population. If that were not done, the national *per capita* income would inevitably decline.

9. Skilled technical and administrative staff would be needed to carry out both tasks; without them programmes could not be drawn up or put into effect. The help received under the Expanded Programmes of Technical Assistance had made it possible partly to remedy the shortage of trained staff; however, in view of the urgency of the task, Burma needed many more experts, technicians and administrators.

<sup>1</sup> See *Official Records of the General Assembly, Sixth Session, Annexes*, agenda item 66, document A/C.1/669.

10. Capital must then be found in order to increase economic development; the amount necessary seemed very high when compared with existing resources. In agriculture, provision must be made for the use of modern mechanical techniques. But the development of agriculture was not enough; new industries must also be set up to absorb, in part at least, the constantly expanding labour-force. However, industrialization was a costly process, particularly in the initial stages, and absorbed a greater part of the national income in poor than in rich countries. Public and private national savings must therefore be encouraged. The Burmese Government had set up savings systems, so that private savings ought to increase as production and income increased. However, in a country where incomes were so low, savings could not cover national needs. One of the Government's principal tasks was therefore to obtain capital. Here the profits earned by State undertakings could, it seemed, play a very useful part. Hence the Government's policy was to expand its own undertakings and improve their operation. It had taken over, *inter alia*, the sale of agricultural products, the timber trade, transport and banking.

11. Since Burma was primarily an agricultural country, the Government was trying to secure equitable land distribution, to guarantee farmers a reasonable price for their products and to use the profits made in agriculture for the reconstruction and development of the country. It had drawn up a five-year plan of agricultural and rural development, set up an agricultural and water resources corporation, and taken steps for the granting of loans to farmers.

12. The Government felt it necessary to speed up the industrialization of the country so that it should not depend entirely on foreign sources for supplies of industrial products. An industrial and a minerals resources corporation had therefore been established.

13. The Burmese Government had put into effect certain social welfare programmes with a view to raising the people's standards of living. A short-term programme specially designed for the people in rural areas, which had enabled roads, canals, wells, schools, general hospitals and maternity hospitals to be built, was financed partly by the Government and partly by contributions from the inhabitants, either in money or in labour.

14. The task was so great that Burma could not rely on its national resources alone to repair war damage, raise standards of living, and develop its resources rapidly. It was therefore ready to welcome foreign aid and capital investment subject to conditions which would ensure respect for its national sovereignty and its social aspirations. A system of participation of foreign and State capital had been put into effect by the Burmese Government in certain of the principal industries. However, on grounds of unfavourable political and economic atmosphere of the country, the flow of foreign private capital was inadequate, although the Government sought to create conditions for foreign capital which would be favourable both to national and to foreign interests. The Burmese delegation would be ready to support the suggestions made by certain representatives to establish under United Nations auspices rules which would safeguard the interests of both sides.

15. Since private capital was chiefly attracted by profit, it would be necessary to rely more on public

capital. However, the flow of such capital was inadequate. The Burmese delegation considered, therefore, that it would be advisable to set up the Special United Nations Fund as soon as possible. In supporting the establishment of that fund, he was not merely thinking of his country; the only way to maintain a real and lasting peace was to speed financing for the economic development of the under-developed countries. The Burmese delegation had therefore associated itself with the nineteen other delegations that had submitted joint draft resolution A/C.2/L.206. In view of the importance and urgency of the problems facing the under-developed countries, it hoped that the countries with capital to invest would abandon the idea of making the establishment of the fund dependent upon world disarmament. The interest with which the Committee had examined the question gave grounds for hoping that there might be a unanimous decision.

16. Mr. BIRECKI (Poland) said that in all discussions on the economic development of the under-developed countries the Polish delegation had stressed the need to strengthen the economic and political independence of those countries and raise the standards of living of their peoples. It had also always said that the economic development programme in those countries should be based on principles acceptable to their peoples. Economic development was a long-term project and could only be carried out within the framework of a co-ordinated plan to reform the economic and social structure of the country so as to allow all creative forces free play. Such a programme of economic development would require the total mobilization of all the country's national resources. It was therefore necessary to take steps to utilize for economic development capital now sent abroad as profits, dividends and interest for foreign monopolies. It was also necessary to use currency reserves fruitfully, by reducing unproductive imports to the minimum and concentrating material and human resources on essential investments.

17. The Polish delegation considered that the fundamental factor in any economic plan was industrialization. The economic structure of the under-developed countries was generally marked by the predominance of primary production, often in the form of monocultivation, and the absence of heavy industries and manufactures. What needed development was the means of production, and therefore industry. Industrialization did not of course exclude the development of agricultural production, which it was also important to increase, since in most of the under-developed countries the population lived in a state of chronic famine. However, industrialization was also necessary for the development of agricultural production.

18. A flow of private capital should not be looked upon as the cure for all difficulties hampering the economic development of the under-developed countries. Foreign capital could only supplement the efforts of the under-developed countries themselves, and then only if it eschewed all interference in the domestic affairs of recipients. Those principles, by which the attitude of his delegation had been and still was determined, had been expressed in numerous reports published by the United Nations, and in particular in the reports of the Sub-Commission on Economic Development submitted in 1947<sup>2</sup> and 1949,<sup>3</sup> from which he

<sup>2</sup> Document E/CN.1/47.

<sup>3</sup> Document E/CN.1/65.

quoted. According to the Sub-Commission, industrialization was the essential factor and should be given a predominant place in all programmes of economic development. The Sub-Commission had pointed out the dangers inherent in the financing of economic development by private investment, and had described the conditions which the method of financing by foreign capital should satisfy. The fact was that the imperialist countries were always acting against the principles laid down by the Sub-Commission on Economic Development by using all kinds of pressure, from press campaigns to direct threats of military intervention. Despite the right of every country to nationalize its resources, the United States monopolies had conducted a bitter campaign against the nationalization of natural resources in a number of under-developed countries.

19. Considerable feeling had been aroused in United States business circles by General Assembly resolution 626 (VII) relating to the nationalization of natural resources. The Government of the United States was seeking by every possible means to hinder the industrial development of the under-developed countries. An attempt was being made, under cover of pseudo-scientific theories according to which the world's industrial potential exceeded the exploitable possibilities of existing raw materials, to confine the under-developed countries to their role of producers of raw materials. American government circles were trying to enlist the under-developed countries in their programme of preparation for war by raising the spectre of the alleged danger of aggression by the Soviet Union. Similarly, the authors of the Mutual Security Agency report had considered it necessary to put ruling circles in the under-developed countries on their guard against what the authors of the report called the pernicious consequences of industrialization. The efforts of the American monopolies to impose upon the under-developed countries a policy favouring the influx of foreign capital were incompatible with the aspirations of those countries. The American monopolies spared no effort to impose disadvantageous conditions upon countries whose economy was based on the export of raw materials: their method was to buy raw materials cheap and sell industrial products at high prices to countries undergoing development. He recalled the figures given by the representatives of Egypt (258th meeting), Costa Rica (264th meeting) and Chile (260th meeting).

20. The under-developed countries, however, were becoming aware of the danger of subservience to international capitalism. The Managing Director of the International Bank for Reconstruction and Development and the International Monetary Fund had been careful to state at the recent annual meeting of those agencies that the situation of many under-developed countries had grown considerably worse and that the terms of trade had developed unfavourably for them. Consequently, some under-developed countries had been forced to take steps which had caused their industrialization to slow down. The *Christian Science Monitor* of 4 September 1953 had drawn attention to Brazil's need to establish a strict import control harmful to its industrialization. According to the *New York Times* of 3 August 1953, the fall in the price of raw materials and in income from exports had aggravated the crisis in the countries of South-East Asia and so forced them to slow down the execution of economic development programmes. The decrease in im-

ports might have given the false impression that the balance of payments of those countries had improved, but the resulting reduction of the adverse trade balance had been apparent only, and the under-developed countries were feeling the disagreeable effects of the profound crisis from which the external trade of the capitalist countries was suffering.

21. That situation should show the United Nations the course it should follow to establish conditions favourable to the economic development of the under-developed countries. At the sixth session of the General Assembly his delegation had tried to secure the adoption of a resolution relating to integrated economic development and commercial agreements. The Polish delegation still thought that the implementation of that resolution could contribute much to the solution of a number of important problems peculiar to the economically backward countries. While the commercial agreements for which it provided would be of advantage to all the contracting parties, they would be particularly helpful to the under-developed countries. Their conclusion would help to stabilize the prices of raw materials, and would ensure delivery to the under-developed countries of the equipment and products they needed for their economic development. The Government of the People's Republic of Poland was prepared to co-operate with all countries desiring to maintain with Poland normal relations based on complete equality and respect for mutual interests. The Government of Poland already maintained commercial relations with a number of countries in Latin America, Africa and Asia. That did not, however, exhaust the possibilities of trade between Poland and the under-developed countries. On the contrary, Poland's economic development, the rapid rate of its industrialization and the continuous rise of the standard of living of the population were increasing its requirements of raw materials of all kinds, in exchange for which it could provide consumer goods and capital goods necessary to the economic development of the under-developed countries. The United Nations should assist the under-developed countries to free themselves from the tutelage of foreign monopolies. It must guarantee them the means of obtaining the products needed for their economic development. Such a programme was in accordance with the purposes and principles laid down in the Charter, and the Polish delegation was prepared to support all constructive action along such lines.

22. Sir Clifford NORTON (United Kingdom) said he had been struck during the debate by the high hopes placed by many countries in a special fund and an international finance corporation, by the anxiety displayed over what seemed to be interpreted in some quarters as a "negative" attitude on the part of the delegation of the United States of America, and, lastly, by the danger of a serious misunderstanding arising between the more-developed countries on the one hand and the less-developed countries on the other.

23. The United Kingdom delegation reserved the right to present in due course the views of its Government on the report of the Committee of nine experts. For the time being, he wished to consider from the point of view of principle alone the idea of establishing a special fund for grants-in-aid and for low-interest long-term loans. From that point of view, the idea seemed to him to be of some value, for the concept on which it was based was imaginative and constructive.

He thought the proposed fund could play a useful part in the development of the under-developed countries. The Government of the United Kingdom based that opinion on the experience it had itself acquired in the development of economically backward or under-developed territories. The United Kingdom felt it could be justly proud of its record in that respect; it had played a similar part at the international level through the United Nations and in such co-operative institutions as the Colombo Plan. The financial assistance it had furnished to its colonial territories or the territories which it administered under the Trusteeship System would amount for the ten years ending 31 March 1956 to more than £140 million. Expenditure since 1945 had been over £70 million. In the year 1952-1953, assistance grants totalled nearly £10 million. Those were sizable figures.

24. Against that background, the United Kingdom delegation wished to utter a word of warning. It wondered whether the hopes placed in the Special Fund were not too great. The debate gave the impression that the Fund was regarded in some quarters as a panacea for all the ills of the under-developed countries. But experience had shown that the real roots of development were planted in the efforts of the peoples of the territories themselves. If external capital was to have really beneficial effects in the direction of economic and social progress, the conditions for its flourishing must first be created; and even then it was often only in special cases that external capital could have a really decisive effect. On the other hand if conditions were not favourable capital could sometimes be poured in with no result but disappointment. In that connexion, attention should be given to the Australian representative's wise warning against excessive optimism, and the proper lesson should be drawn from the figures quoted by the representative of the United States relating to development in Latin America (259th meeting).

25. He wondered at the surprise and disappointment which the forthright statement by the United States representative seemed to have occasioned. It was to be expected that in the present circumstances the major capital-exporting countries should be reluctant to commit themselves to new ventures: he thought there was more justification for their attitude than had generally been admitted in the debate. Many delegations had acknowledged the part played by the United States of America in the economic development of the under-developed countries. He would like to add his tribute to theirs: he had been able to see with his own eyes the part played by American assistance in such countries as Greece. Assistance amounting to more than \$6,000 million over eight years was no small thing. As for the other more developed countries, while their efforts had not been on the same scale as those of the United States, they had not shirked their responsibilities, either. There was no doubt that it all added up to an effort of international co-operation unparalleled in history.

26. The United States representative had devoted a substantial part of his speech to the question of disarmament. In particular, he had stressed the importance of the present defence effort and its close relation with the problem under consideration by the Committee. Sir Clifford Norton entirely subscribed to that attitude. The defence effort was of vital importance to the whole free world and was the pre-condition for eco-

nomie development. Naturally the size of the defence effort must in some measure postpone the application of resources to economic development. He had no doubt that the priority accorded to defence was right and inevitable, but the effect must also be great. The United States representative had pointed out that defence expenditure and military assistance programmes totalled 70 per cent of the United States national budget. In the United Kingdom estimated defence expenditure in 1953-1954 would amount to 35 per cent of total government expenditure and would absorb about 12½ per cent of total national income. However the United Kingdom was firm in its resolve to maintain that figure, because it believed that it was in the interests of national and international security and therefore of peace. The burden that that placed on the taxpayer was great; in the United Kingdom, 40 per cent of the national income was currently absorbed in taxes and other contributions. Taxpayers were voters and obviously such burdens created political problems. So it was understandable that governments of peoples who were already making such sacrifices in the common interest should look carefully at new proposals, and should prefer to limit themselves to programmes whose value was already tried and known. That point was relevant to the remarks of the representative of the Netherlands, who had sought to demonstrate how small a percentage of present expenditure on armaments would make a fund possible. It was, in fact, a question of priorities. SUNFED should not be established unless there was a general conviction that it deserved priority. It would not be of much use if it were started without the widest measure of wholehearted support.

27. Given those considerations, it was natural to question the wisdom at the present stage of taking practical steps towards setting up the Fund. He repeated that the United Kingdom delegation had no desire to consign SUNFED to oblivion: on the contrary, it thought it desirable that the project should be kept closely under review. But considering that SUNFED could not succeed without the support of the more-developed countries, it would be imprudent to raise false hopes or to give the Fund a structure that might later prove unsuitable.

28. He wondered if enough attention had been paid to the positive side of the attitude of the more developed countries on the question. All the representatives of such countries had pledged their continuing support to the aim of developing under-developed countries; and the Committee knew what that represented, considering the extent of the assistance already granted. Furthermore, the United States delegation had sponsored a draft resolution which committed the Government of the United States to ask the American people to agree, when sufficient progress had been made in internationally supervised world-wide disarmament, to devote a portion of the savings to an international fund. That was a pledge which held great hope for the future. The United Kingdom would support that resolution and he firmly believed that it would command an overwhelming majority.

29. He had been much impressed by the remarks of the Indian representative (266th meeting) concerning the danger of a split between the more developed and under-developed countries. It would indeed be lamentable if the discussion of a subject which demanded co-operation between capital-exporting and

capital-importing countries were to lead to a deep fissure between the two. In practice such a fissure would mean the adoption of a resolution against the votes of a large number of delegations. Such a result would do no credit to the United Nations and might seriously prejudice the Fund's chances of success.

30. The members of the Committee were in duty bound to try to produce a resolution that would command the widest possible agreement. Of course, that implied some degree of compromise on the part of the delegations that would like to see practical steps taken at once and those that would prefer to see the Committee do no more than adopt the resolution sponsored by the United States. The United Kingdom delegation fell into the latter category. However, it had no wish to be inflexible and would be prepared to vote for the draft resolution submitted by the delegations of Greece, Haiti and Pakistan (A/C.2/L.205), which was realistic and offered some hope of a solution, subject to certain changes, more of emphasis than of substance. He was willing to indicate the changes he thought desirable, but thought that if his suggestion met with general agreement it might perhaps be better to set up a working party to prepare a draft. Further, he could say that he believed other developed countries were thinking along the same lines; and he understood that the United States delegation would be prepared to give serious consideration to voting for such a resolution.

31. Mr. CARRION (Nicaragua) said that his delegation attached great importance to the economic development of under-developed countries, which it felt would not only make it possible to raise the standard of living and promote the welfare of all peoples, but would be the most effective means of creating conditions which would enable countries to renounce war as an instrument of national policy for ever and lay the foundations of lasting peace.

32. In considering the proposals for the establishment of a special fund and an international finance corporation, his delegation had not overlooked the fact that the economic development of the under-developed countries depended in the first place on those countries themselves; but, whatever efforts it might make, no country could be completely independent of foreign help.

33. Nicaragua was doing its utmost, with the help of the International Bank and the International Monetary Fund, to achieve economic progress. It was trying to increase its agricultural production, to improve its stock-breeding and to diversify its industry. Its programme included the building of roads to facilitate communication between its internal markets and its commercial ports and the adoption of measures to stabilize the prices of its staple products and to obviate the fluctuations from which agriculture had hitherto suffered. Factories for the processing of milk products were already in operation, and cold-storage plants which would enable meat exports to be increased were shortly to be constructed.

34. In the eyes of the Nicaraguan delegation, therefore, the establishment of the Special Fund was a matter of the greatest urgency, even if it were not a panacea, as the United Kingdom representative had expressed it. The Economic development of the less fortunate countries had to be financed jointly by private capital and public capital, from domestic as well as from

foreign sources; it was therefore difficult to agree to the indefinite postponement of the Fund's establishment. The plan's chances of success had undoubtedly been reduced by the fact that certain highly-developed countries had already announced their unwillingness to contribute to it. He felt bound to say that to postpone the consideration of the project was hardly consistent with the aims of the Charter and would delay the achievement of peace, so ardently desired by all the peoples of the world.

35. The less-favoured countries fully appreciated the part the industrialized countries had played and continued to play in their development; in that connexion the generosity of the United States deserved special mention. Nevertheless, the main object of private investment was profit. On many occasions private capital had had no compunction in unscrupulously and pitilessly exploiting concessions it had wrung from under-developed countries, often with the co-operation of the governments of the capital-exporting countries, regardless of whether it left behind it completely exhausted resources. There had been some improvement in that respect in recent years, as a result of independent and isolated action by national legislatures and also because private investors had finally realized that it was not to their advantage to weaken the economic position of the countries in which they invested their capital. But, although private capital was becoming more enlightened, that was necessarily a slow process which could not be accelerated by any international conference or expression of vague idealism. Private capital was still on the look-out for profits, and foreign investments were made only in the countries that offered the highest guarantees of safety. In that respect, the more developed countries would always be preferred to the under-developed countries. Furthermore, it should be remembered that foreign private investment tended to avoid any country that was undergoing an economic crisis and to seek profitable undertakings, irrespective of whether they promoted economic development. For example, the two sectors which stood in most need of development in Nicaragua were education and health; but it was doubtful whether such commercially unproductive activities would attract foreign private capital.

36. The Nicaraguan delegation unhesitatingly declared, on behalf of its Government, that foreign private capital would be most warmly welcomed in Nicaragua, provided that it was not invested there for purely selfish purposes; at the same time it considered investment by international public capital to be essential for the development of the under-developed countries, since private capital and public capital were complementary, and neither would be sufficient in isolation to bring about the desired economic expansion.

37. The Nicaraguan delegation whole-heartedly shared the general wish for disarmament: the nature of recent scientific developments was such that a further war would endanger the very existence of the human race. But, before a practical disarmament programme could be drawn up, international political tension must first be alleviated; and one of the chief causes of that tension was undoubtedly economic inequality between peoples. The establishment of the Special Fund would help to reduce that inequality and would thus further the cause of universal disarmament and peace. No doubt it was hardly possible for the time being to do more

than refer the question to the next sessions of the General Assembly and Economic and Social Council. However the delegation of Nicaragua wished to stress the importance it attached to the establishment of the Special Fund, and it would therefore vote for the

joint twenty-Power draft resolution, as amended (A/C.2/L.206/Rev.1). It would speak on the subject of the draft resolution again at a suitable opportunity, if it thought necessary.

The meeting rose at 12.30 p.m.