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Chairman: Sir Douglas COPLAND (Australia).

In the absence of the Chairman, the Vice-Chairman, Mr. Umari (Iraq), took the chair.

AGENDA ITEM 25

Economic development of under-developed countries (A/2686, A/2702) [continued]:

- (a) **Question of the establishment of a Special United Nations Fund for Economic Development: summary by the Secretary-General of comments of Governments on the report of the Committee of Nine, report of Mr. Raymond Scheyven and report of the Economic and Social Council (A/2646 and Add.1 to 4, A/2727 and Corr.1, A/2728 and Corr.1);**
- (b) **Question of the establishment of an international finance corporation: report of the Economic and Social Council;**
- (c) **International flow of private capital for the economic development of under-developed countries;**
- (d) **Land reform**

GENERAL DEBATE (continued)

1. Mr. BEREZIN (Byelorussian Soviet Socialist Republic), stressed the seriousness of the situation of the under-developed countries and said that it was not enough to recognize the facts; it was also necessary to find out their causes in order to be able to remedy the situation. The Byelorussian delegation held the root cause of the evil to be the economic and political dependence of the under-developed countries on foreign monopolies and the policy of discrimination from which their foreign trade suffered.

2. The under-developed countries had come to be economically dependent on the production and sale of one or two primary commodities, and now foreign capitalists had found a fruitful and enormously profitable field for investment there. Moreover, the representatives of the under-developed countries unanimously acknowledged those facts.

3. The question of the economic development of under-developed countries had long been on the agenda both of the General Assembly and of the Economic and Social Council. There had been numerous debates on the subject, and the Economic and Social Council now recommended that the General Assembly adopt its resolution 512 B (XVII) concerning the international flow of private capital. The Byelorussian delegation considered not only that the resolution was contrary to the interests of the under-developed countries, but also that to recommend that those countries "re-examine . . . domestic policies, legislation and administrative practices with a view to encouraging the flow of private capital" was tantamount to interfering in their domestic affairs and thus violated the basic principles of the United Nations Charter. The resolution ought, rather, to warn the under-developed countries of the danger which recourse to private capital constituted to their economies. Foreign holders of capital made investments only if they were certain of making huge profits. As indicated in the Secretary-General's report entitled *The International Flow of Private Capital 1946-1952* (E/2531), United States investments abroad during the period 1946-1951 had amounted to about \$6,000 million. United States income from those investments had averaged some \$2,000 million annually, so that for the period under consideration total profits had amounted to \$12,000 million, or double the original investment.

4. As far as the Belgian Congo was concerned, the report on the international flow of private capital indicated that corporations operating in the Belgian Congo had increased their investments from 9,617 million to 27,694 million Belgian francs during the period 1947-1952—an increase of about 18,000 million Belgian francs—and, according to that report (E/2531, page 25) "the net profits earned by the corporations operating in the Belgian Congo during the six years from 1947 to 1952 totalled 20.7 billion Belgian francs . . .", i.e., the net profits were greater than the investments.

5. The Byelorussian delegation was of the opinion that private capital could only play a part in the development of under-developed countries if it merely constituted an additional source of finance and only if foreign investors respected the legitimate interests and the sovereignty of those countries. His delegation was also of the opinion that the essential factor for the economic development of the under-developed countries was unquestionably the utilization of their national resources and the development of their national

economy. In the view of the Byelorussian delegation, the economic development of the under-developed countries would be accelerated if the obstacles to free international trade were removed, if trade relations with other countries were established on a sound and equitable basis and if a fair relationship between the prices of raw materials and those of manufactured products were brought about.

6. It was well known that in recent years the under-developed countries had suffered the due effects of an unfavourable change in the terms of trade; the fall in the price of raw materials had affected almost all the raw materials producing countries, both in Asia and the Far East and in Latin America. The exports of most of those countries had diminished both in volume and in value: between 1951 and 1953 exports of rubber from Asian and Far Eastern countries, for instance, had declined by 13 per cent, exports of tea by 14 per cent, of rice by 20 per cent and of oils and oil seeds by 36 per cent. In the case of the Latin American countries, taking the year 1950 as base, the ratio between the volume of imports and that of exports had changed from 100:100 to 80:110 in 1953; in other words, the under-developed countries had had to export more raw materials than before in order to be able to import the same quantity of manufactured goods. Understandably, therefore, the under-developed countries were pressing for the stabilization of trade and the establishment of fair price relationships, since any decline in the world market meant for them a lowering of production, an increase in unemployment and, consequently, a further decline in the standard of living.

7. The United Nations had to take positive measures to improve the situation of the under-developed countries; above all, restrictions on international trade had to be removed so that those countries could develop their commercial relations with the rest of the world on the basis of equal rights and mutual benefit. The Byelorussian delegation would support any proposal designed to achieve that end.

8. Mr. BIGURIA (Guatemala), after reaffirming his delegation's earnest desire to co-operate, said that he had been greatly impressed by Mr. Scheyven's remarkable report (A/2728 and Corr.1). It would help to make people everywhere understand more clearly the problem of the economic development of under-developed countries.

9. During the discussion which had just taken place, it had been agreed that the economic backwardness of certain countries was not a new phenomenon and that the technical assistance programmes ought therefore to take precedence over the establishment of the Special United Nations Fund for Economic Development. There seemed, however, to be too great a tendency to draw a distinction between countries whose economic backwardness appeared to be permanent, as being attributable to their economic structure, and those whose difficulties were due to temporary conditions. In view of the success of the Marshall Plan, a nobly conceived programme which had enabled the Western European countries to rebuild their war-ravaged economies, there was no reason why a similar effort could not be made on behalf of the under-developed countries which were exposed, as the others had been, to intensive propaganda and which were all the more vulnerable because they were economically weak and backward. When the world political situation was

as tense as it was at present, extreme poverty was a source of danger; the assistance given to the under-developed countries should therefore be the greater since their needs were pressing. No people ever resigned itself to adversity, even if suffered for a long period of time, and it would be a great mistake to underestimate the effects either of technological progress or of the cold war.

10. He, too, was of the opinion that the operations of SUNFED should be subject to strict technical supervision. In that connexion he recalled that Guatemala, through over-ambition and imprudence, had had some unpleasant experiences resulting in the squandering of energy and resources, and in unnecessary conflicts between capital and labour.

11. In view of the reluctance of the industrialized countries to participate in establishing the proposed fund, his delegation thought it might perhaps be better to establish the international finance corporation first, as it would require a smaller initial outlay of capital. That corporation would undoubtedly stimulate not only the flow of foreign capital to the under-developed countries, but also capital formation in those countries themselves, by encouraging a national spirit of enterprise. It was true that if SUNFED could be established first, the investment in non-self-liquidating projects that it would make possible would prepare the ground for and ensure the success of the operations of the corporation. But that was not an essential prerequisite and the example of the International Bank for Reconstruction and Development, with which the corporation would be obliged to collaborate closely, was a sufficient indication that the new agency would play a useful part. The essential point was to strengthen economies whose weakness prevented a balanced development of the world; to do that the necessary organs had to be set up, in whatever order was possible.

12. The flow of foreign capital would be considerably accelerated if the recommendations in the Randall report were adopted. In that connexion, he wished to associate himself without reservations with the statements made by the Cuban representative at the Committee's 294th meeting.

13. Guatemala, which was a monocultural country and therefore extremely vulnerable to cyclical fluctuations in the price of its sole export, relied primarily upon its own efforts and sacrifices to extricate itself from its difficulties, but realized that its efforts were more fruitful when they were supported by the timely and effective aid of the international organizations of which it was a member. It was accordingly anxious for the success of the Committee's work, which would help to improve the lot of millions of human beings, and consequently to strengthen world peace.

14. Mr. CARANICAS (Greece) pointed out that it would appear from the long and exhaustive debates devoted to the question of the economic development of under-developed countries, that differences of opinion concerned questions of timing, methods and priorities rather than the principle of increased international co-operation. International co-operation was all the more imperative because the international economic imbalance had become more pronounced in recent years.

15. On the one hand, the economically advanced countries had gradually attained and even surpassed their pre-war production levels, and had been able to correct or restore equilibrium in their international transactions. They had been able to solve, wholly or in part,

the problem of dollar shortages, and to relax their restrictions on international payments and trade. The under-developed countries, on the other hand, had experienced a deterioration in their balance of payments as the result of a decline in trade; they had had to face inflation and had been obliged to restrict their imports and delay their development programmes. Mr. Scheyven had emphasized in his report the dangers of the growing disparity between the two groups of countries concerned.

16. It was true that the control of inflationary forces and the correction of the balance of payment were an essential condition for real progress towards economic development. In order to achieve these results, however, many countries had been obliged to tighten restrictions on the volume of much needed investment. Not only was the volume of domestic savings inadequate, but it could not even keep pace with the population growth or prevent a decline in living standards. To attain economic stability was considered a prerequisite for enlarging and expanding the international flow of capital. The severe and often unpopular measures that had made the restoration of a stable economy possible could not be maintained in force if the economic stability thus achieved did not produce an influx of foreign capital, which was all the more necessary because the measures taken had prevented large-scale investments.

17. That was why the under-developed countries attached such great importance to the provision of foreign capital. The principal means of capital formation in the under-developed countries were the proceeds from foreign trade. The economy of those countries, which was generally based on the production and sale of one or two products depended to a large extent on world market prices and was extremely vulnerable to any fluctuation in the terms of trade. His own country, for example, was suffering from the effects of a deterioration in the terms of trade: the world price of tobacco, Greece's principal export, was only 12 to 15 per cent higher than before the war, while most world prices had exceeded the pre-war levels by more than 100 per cent. Greece had hitherto had the benefit of generous United States aid, but that aid would presently come to an end. The country therefore needed a large influx of foreign capital in order to continue its economic development. While it was true that Greece had recently enacted special legislation to create a favourable climate for foreign investments, his country feared that those measures would be inadequate unless the Governments of capital exporting countries encouraged the international flow of private capital.

18. It was a well-known fact that private foreign investors were not very anxious to invest in non-self-liquidating or low-yielding projects. The International Monetary Fund and the International Bank for Reconstruction and Development had undoubtedly rendered valuable services in assisting or financing the economic development of under-developed countries, but their capacities were limited as far as the financing of non-self-liquidating investments was concerned. The Greek delegation accordingly thought that the Special United Nations Fund for Economic Development and the international finance corporation should be established as soon as possible.

19. As the representative of Yugoslavia had said (290th meeting), the establishment of SUNFED would not be a panacea. It was apparent, moreover, that,

generally speaking, the industrialized capital-exporting countries were still non-committal. His delegation thought that as long as those countries, and especially the United States of America, did not support SUNFED, it would be absurd for the under-developed countries, which constituted the majority in the General Assembly, to embark on such an undertaking.

20. There appeared to be two reasons for the non-committal attitude of the capital-exporting countries: their expenditure on armaments and the fact that the special fund as proposed by the experts would only conduct two kinds of operations—the provision of grants-in-aid and long-term low-interest loans to under-developed countries. It was probably feared that SUNFED, when established, would perpetuate the policy of making grants because, at least as far as the foreseeable future was concerned, the fund would be unable to take the risks involved in financing the so-called social investments.

21. He would offer no comment on the first reason. On the second, his delegation thought that the Committee perhaps paid insufficient attention to the question of interest. The payment of interest often constituted a great burden to under-developed countries when they were unable to finance non-self-liquidating projects from domestic savings and were obliged to resort to foreign private capital or the Bank. It was obvious that in the case of non-self-liquidating investments, long-term loans without interest might prove to be adequate without dangerously burdening the borrowing country's economy. The operations of the special fund should be confined to the allocation of long-term loans without interest, while the Bank should continue to deal with ordinary loan operations as it had done in the past. In exceptional cases, and only if absolutely necessary in order to accelerate the pace of economic development, outright gifts might be granted by the special fund.

22. The fact that SUNFED would not allocate grants but interest-free loans, to be repaid over more or less lengthy periods of time, would make it possible to establish a revolving fund and would therefore enable the same initial capital to be utilized for financing more than one project. Once the revolving fund had been established with the initial contributions which the industrial Powers would make to SUNFED, it would be able to function without requiring the countries in question to make further contributions in subsequent years.

23. He hoped that if, in a spirit of compromise, delegations of under-developed countries were inclined to accept in principle the establishment of a special fund of that kind, the industrial countries would adopt the same attitude.

24. Mr. HACHEN (Israel) said that after Mr. Scheyven's admirable presentation (295th meeting), the general debate, instead of embracing all aspects of the economic situation, had focused on the problem of financing economic development, and particularly on the establishment of the Special United Nations Fund for Economic Development. There was nothing surprising in that, for the problems which the under-developed countries faced were familiar to all; inadequate food supplies, a rudimentary industry, a high mortality rate, a defective system of administration and low standards of education. Those facts were illustrated by figures; Mr. Scheyven had shown in his report that two thirds of the world's population re-

ceived only 15 per cent of the total world income. Those problems could be solved by the combination of two essential elements, money and skill. The problem that faced the Committee—and indeed the world—was how to make those two forces available to all who needed them.

25. As far as technical assistance was concerned, the Members of the United Nations, collectively and individually, had been successful in mobilizing skill in the service of the under-developed countries. But technical assistance was not, by itself, a solution for the economic backwardness of those countries. Indeed, as Mr. Scheyven had hinted, it might have a deleterious effect upon their economies by generating demands for investment capital which could not be met.

26. It was therefore necessary to study the question of investment capital. Investment capital in an under-developed country could come either from within or from without. The formation of capital within a country could be effected through share issues, but the resources necessary for that purpose were not available in the under-developed countries. Capital could be created by forms of coercion, but democratic countries were precluded from using that method. In the majority of the under-developed countries the opportunities for the internal financing of large-scale economic development projects were severely limited and it was necessary to fall back on foreign capital from the industrialized countries.

27. In the past, and especially in the nineteenth century, it was private capital that had been invested in Latin America, Asia and Africa. But that capital had been invested only in enterprises which offered every guarantee of safety and provided a certain profit. At the moment there was, for example, a flow of private capital from the industrialized and developed countries to other industrialized and developed countries, and not to the under-developed countries that needed it.

28. Another source of investment capital for major development projects was direct aid, such as that granted by the United States to the countries of Europe after the Second World War. That form of financing had limitations of a psychological character. Certain countries were suspicious of direct bilateral aid, which, they felt, might endanger their sovereignty.

29. A third source of capital for investment were inter-governmental loans. The instrument at the disposal of the international community for that purpose was the International Bank for Reconstruction and Development. That institution was, however, essentially a bank, which could not take risks and whose activities were thus limited, particularly in the matter of granting loans to under-developed countries.

30. Only one instrument, therefore, remained: the special fund which, it seemed, would fulfil all the conditions necessary to satisfy both the industrialized and the under-developed countries. As yet, that fund was merely a possibility, a hope. Admittedly, the idea of its establishment was favoured by the majority of countries, for most of them were, unfortunately, under-developed. Those countries had the majority of the votes in the United Nations, but a majority vote in favour of SUNFED would not establish the fund. It was necessary to try to persuade those who could contribute to SUNFED on the scale required, in particular the United States of America. While the under-developed countries were unquestionably grateful for the assistance they had received from bilateral pro-

grammes, many of them needed additional capital which could be provided only by an international organization.

31. The setting up of SUNFED called moral issues into play, but another consideration was that the under-developed countries should remain free, democratic societies. Strong nations did not succumb to subversion, weak ones might, and hungry ones surely would. The United Nations therefore owed it to itself to intervene.

32. It was, moreover, undeniable that financial assistance to under-developed countries would open up new markets for the goods produced in the industrialized countries. The flow of capital to under-developed countries would in the long run, and perhaps much earlier than was assumed, increase the supply of materials and foodstuffs the world over. If the necessary capital and technical skills were made available to those countries, there would assuredly be an increase in the production and exchange of goods and services throughout the world.

33. The funds required for carrying out such a project would not be very large. About \$24 million a year were available for the Expanded Programme of Technical Assistance, and an initial amount of \$250 million would be necessary to establish the special fund. That was probably less than what the United Nations had spent on the rehabilitation of Korea and seemed infinitesimal compared with the cost of the Korean War.

34. He spoke of his personal experience in Israel and Burma, where he had been able to convince himself that there were no limits to what a human being and a country could do with the aid of the necessary money and skill. A policy of inaction, on the other hand, would be disastrous. Two-thirds of the world's people lived in misery and hunger. That situation required a sacrifice by the privileged regions of the world. The statesman, the financier and the tax-payer had to be convinced that money spent on the under-developed countries would safeguard the freedom of the world and that aid extended to those countries would do more for the preservation of peace than all the military budgets. The young people from the universities, for example, should also be persuaded to devote a few years of their lives to their less privileged neighbours. In short, the happiness of the world demanded active idealism rather than dry economic studies.

35. Mr. ALFONZO-RAVARD (Venezuela) said that his delegation had always wished to take an active part in the study of the problem of the economic development of the under-developed countries, as it was convinced that a clear and objective statement of the needs of such countries would not fail to awaken the conscience of the peoples and encourage international co-operation.

36. The Venezuelan delegation was one of those which recognized that economic and social progress depended essentially on national efforts. If a country owed all its economic and social achievements to assistance from abroad, the mentality of its people might be affected and might even slip into an undesirable attitude of dependence.

37. That consideration, which the Venezuelan delegation had emphasized at the 765th meeting of the Economic and Social Council's seventeenth session, did not, however, minimize the imperative need for international co-operation. The characteristic feature of the modern world was the interdependence of peoples, and a revival of economic nationalism in one part of

the world could not be imagined without evoking the serious consequences it would have on other parts of the world. That interdependence had been stressed by Mr. Raymond Scheyven in his remarkable report, in which he referred to the moral, political and economic arguments in favour of assistance to the under-developed countries. It had also been emphasized by the authors of the study entitled *Commodity Trade and Economic Development* (E/2519), in which they had stated that poverty in any one area of the world might affect other parts of the world in more ways than one.

38. The primary aim of the under-developed countries was to accelerate their progress so as to hasten the day when the standard of living of their people closely approached that of the more developed countries. That aim could only be achieved by a vigorous economic development plan initiated by States themselves and assured of the support of the international community. In that respect the prevailing situation was hardly encouraging. To take only the example of Latin America: according to estimates prepared by the Economic Commission for Latin America (ECLA),¹ forty-two years would elapse before the average *per capita* income in the countries of that region would equal one third of the present *per capita* income in the United States of America, and that would only happen if the annual increase in income, which was 2.5 per cent over the period 1935-1951, was maintained at the current rate. Yet, despite the praiseworthy efforts made at the regional level, for example, under the Colombo Plan; despite the useful work accomplished by the International Bank for Reconstruction and Development and the United States Export-Import Bank, and even though opinion in the leading countries tended more and more to support active aid for the less fortunate areas, action planned at the international level hardly received the support which it deserved. On the contrary, proposals were made periodically which, if adopted, would drive the world back to the days of economic nationalism, which had been so disastrous for the under-developed countries.

39. He would therefore concentrate on what he considered to be the most important aspects of international economic co-operation. Firstly, one of the factors which vitally affected the development of the under-developed countries was the policy of the industrialized countries in the matter of imports of primary commodities; if the latter adopted, or even merely threatened to adopt, restrictive measures, the economy of the former might be gravely jeopardized. The consequences of such action on the world market could not be compared with, for example, protective customs tariffs introduced by a country in process of development, for protective tariffs were often indispensable as a means of ensuring an equitable ratio between imports and exports. The Economic Commission for Latin America had strongly emphasized that difference in its recent report entitled *International Co-operation in a Latin American Development Policy* (E/CN.12/359),² from which he quoted a long extract to show that a purely protectionist policy, if confined to certain limits dictated solely by the exigencies of economic development, was not likely to be prejudicial to international trade. Protection in such form did not, in fact, tend to reduce the imports of countries in the

process of development, but merely to vary the distribution of imports in keeping with changes in the national economy. The tenth Inter-American Conference, held at Caracas, had been prompted by those principles when it adopted its resolution No. 68 in March 1954, in which it recommended to the industrialized countries to remove restrictions on the importation of primary commodity and semi-manufactured articles from the under-developed countries and to discontinue all practices discriminating against individual countries. It was scarcely necessary to emphasize how beneficial the adoption of such a trade policy would be for the under-developed countries, whose prosperity depended to a great extent on the income they received through their exports.

40. In addition to the instability of the world market, the under-developed countries were faced with the problem of violent fluctuations in commodity prices and the consequent worsening of their terms of trade. To illustrate how external factors affected the economy of the under-developed countries, he observed that in Latin America, over the period from 1945 to 1952, domestic saving had risen to almost 20 per cent of the national income, *per capita* income increasing at an annual rate of 3.3 per cent over the same period. In 1953, owing chiefly to the deterioration in price relations, the coefficient of savings had fallen to 14 per cent, which meant that the annual rate of increase in *per capita* income was only 0.9 per cent. Under the circumstances it was of particular importance that the Economic and Social Council had established a Permanent Advisory Commission on International Commodity Trade, whose main task was to examine measures designed to avoid excessive fluctuations in primary commodity prices and to maintain a just and equitable relationship between those prices and the prices of manufactured goods. True, the Commission had been given a difficult task, and its success would depend on the co-operation of the various States. For its part, Venezuela, a member of the Economic and Social Council, pledged its full support to the new Commission.

41. One of the most important items on the agenda of the current session of the General Assembly was the question of the financing of economic development. Most speakers realized the need for stimulating the flow of capital to the under-developed countries. The growth of domestic savings was, of course, the basic factor in economic development, but in practice it was frequently accompanied by a reduction in consumption, and that method, which was justified in theory, was hardly appropriate for most of the under-developed countries where the level of consumption was too low. Hence foreign capital was essential. The conclusion reached in the ECLA report (E/CN.12/359) was that only foreign capital could break the vicious circle in which the under-developed countries were trapped: their income was too low to encourage the formation of capital, and the formation of capital in those countries was inadequate owing to the low level of income.

42. Compared with the real meaning of economic development, the current flow of capital, both public and private, was far from meeting the needs. By way of example, he compared Latin America's investment needs, estimated by ECLA at \$2,800 million annually, if the rate of increase in gross *per capita* income was to be maintained at 3.3 per cent, with the figures for actual investments which had, over the period from

¹ See E/CN.12/292.

² United Nations Publication, Sales No.: 1954.II.G.2.

1950 to 1953, amounted to approximately \$627 million a year from all sources—American, international and European—and which had included approximately \$168 million per annum in the form of newly invested United States private capital, without taking into account reinvested profits, which had amounted to \$858 million. Under the circumstances, international action had become imperative. For that reason the Venezuelan delegation had joined in the Economic and Social Council in the preparation of resolution 512 B (XVII), now submitted to the General Assembly for its approval. It hoped that the text—a complete and well-balanced draft which took account of the interests both of capital exporting and of capital importing countries—would meet with general approval.

43. Although convinced that foreign private capital, wisely invested in productive enterprises, could assist the under-developed countries to raise the standard of living of their people, his delegation did not believe that that should be considered as the only means of financing economic development. Some enterprises of a special type required financial assistance which foreign sources, whether private or public, were not always in a position to provide. For that purpose not only should existing international finance institutions be strengthened, but the Special United Nations Fund for Economic Development and an international finance corporation should also be established along the lines proposed. In acting upon Economic and Social Council resolution 532 (XVIII), the General Assembly should, first, recommend that Member States study the two proposals with care and benevolence and, secondly, should renew Mr. Scheyven's terms of reference to enable him to continue his very useful consultations with Governments.

44. Mr. JUNG (India) was glad to note the interest taken by the United Nations and the specialized agencies in the question of the economic development of the under-privileged countries, which, according to the Charter, was an essential part of their duties and on which it was possible to do some really useful work. He wished, in particular, to pay tribute to the specialized agencies for the studies they had initiated and the programmes they had undertaken.

45. It was customary for the under-developed countries to bring before the Committee and the General Assembly every year a review of their economic problems, to describe the measures they had taken to solve them and to express their views on international co-operation, as those questions were of the utmost importance to them. The reports and the data provided, as well as the debates of the Committee, showed that those countries, despite their serious difficulties, had themselves made great efforts to speed up their economic and social development. Some of those countries had gained their independence since the Second World War and their Governments had to take into account the aspirations of their peoples and their desire to improve their living conditions.

46. India had gained its independence in 1947. It had lost no time in drawing up a five-year plan designed to husband the material and human resources of the country and double its *per capita* income within a given time. The programme for 1954, which was the third year of the five-year plan, called for an outlay of \$5,000 million, priority being given to agriculture, irrigation, power and transport.

47. In order to remedy the food shortage, the Indian Government had had, under the five-year plan, to take steps to increase agricultural production. It had already succeeded in increasing production by 11.4 million tons and, thanks to those satisfactory results, had abolished food control. Similarly, cotton production had increased considerably in 1953/54. Irrigation and power production projects were under way. With regard to industrial production, the output of cotton yarn, cotton cloth, steel, cement, fertilizer, locomotives, bicycles and other goods had increased by 45 per cent as compared with 1947. The general effort had been towards diversification of production and accelerated industrialization, subject to special attention to agriculture.

48. As India was a country mostly of small towns and villages, the Government endeavoured to develop small-scale and village industries and rural community projects. Sometimes plans were made for the economic and social development of particular areas. Those projects were financed by the local population, and the Government granted subsidies and technical assistance. Those activities would benefit over thirty-seven million inhabitants of India. In addition, the Government, in co-operation with the administrations of the Indian states, was already engaged in the preparation of the second five-year plan.

49. In the matter of land reform, the Indian Government had carried out important reforms designed to increase agricultural production by means of a better system of land management, to give security to farmers, who might become the owners of the plots they cultivated, to improve the position of agricultural workers, and, generally, to raise living standards in rural areas. The policy was to work out a co-operative system of land management whereby all the land and other resources of the village would be managed and administered with a view to increasing and diversifying production and providing full employment for the whole population.

50. India's economic position had improved. The wholesale price index which had stood at 458 at the beginning of the five-year plan had dropped to 385. The balance-of-payments position was more satisfactory. India was no longer solely an exporter of raw materials and its economy had therefore become less vulnerable to fluctuations in the prices of many commodities.

51. The Indian delegation was conscious of the magnitude of the work which still remained to be done, but it wished to point out that the progress achieved in India was due to the efforts made by the country itself in mobilizing its own resources. Between 1948 and 1953, external aid had hardly exceeded \$100 million. The Indian delegation considered that the under-developed countries should rely primarily on their own resources and that foreign investments could only supplement the efforts made by the countries themselves.

52. Nevertheless, the interdependence of the world economy was bound to affect the economic development of the various countries. For instance, the *World Economic Report 1952-53* (E/2560) stated that, as a result of the fall in their exports, the countries of South-East Asia had incurred balance-of-payments difficulties and had to reduce their imports. It was obvious, therefore, that a freer flow of trade, as well as the stabilization of export markets and of

the price structure would have a favourable effect on the development of the world economy. In that connexion the Indian delegation welcomed the establishment of the Commission on International Commodity Trade, on the commendable initiative of Argentina. The establishment of that body further strengthened the system of international economic co-operation created by the United Nations.

53. One of the most important features of the system had been technical assistance, concerning which he reserved his right to make certain suggestions at a later stage.

54. Already in 1946 and 1947 the question of financial assistance had been studied by the Economic Employment and Development Commission, one of whose functions had been to advise the Economic and Social Council on the promotion of economic development and progress of less developed areas. Since that time, the question of establishing international machinery for financing economic programmes had been thoroughly examined. Experts had been consulted, and the principle of the establishment of an international body within the framework of the United Nations had even been accepted, but no concrete decision had been taken.

55. As pointed out in various reports published by the United Nations, the flow of private capital to the under-developed areas was inadequate; it was therefore necessary to establish, as soon as possible, the

international finance corporation which would enable the under-developed countries to obtain the private capital they needed, without having to give the governmental guarantee required by the Bank. The Indian delegation would therefore support any proposal for the early establishment of that corporation.

56. The question of the establishment of the Special United Nations Fund for Economic Development, discussed in Mr. Scheyven's admirable report, had not made more progress. The question had merely been referred to the Economic and Social Council and to the Second Committee in turn.

57. The establishment of SUNFED was as important as that of the international finance corporation and neither should be given priority at the expense of the other. The important thing was to take some practical action. The time seemed ripe, since certain countries, which had been hesitant the previous year, had changed their attitude. Both the developed and the under-developed countries should realize that it was in the interest of all of them to solve the problem of financing economic development. Hence, the Indian delegation hoped that the countries on the two sides would not be ranged against each other and that no rigid attitude on the part of delegations would characterize the subsequent discussions.

The meeting rose at 5.25 p.m.