

United Nations  
**GENERAL  
ASSEMBLY**

NINTH SESSION  
Official Records



**SECOND COMMITTEE, 294th**

**MEETING**

*Wednesday, 13 October 1954,  
at 10.45 a.m.*

**New York**

**CONTENTS**

Agenda item 25:

Economic development of under-developed countries  
(continued):

- |  |      |
|--|------|
| <ul style="list-style-type: none"> <li>(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;</li> <li>(b) Question of the establishment of an international finance corporation: report of the Economic and Social Council;</li> <li>(c) International flow of private capital for the economic development of under-developed countries;</li> <li>(d) Land reform</li> </ul> | } 25 |
|--|------|

**Chairman:** Sir Douglas COPLAND (Australia).

**AGENDA ITEM 25**

**Economic development of under-developed countries (A/2686, A/2702):**

- (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. O'NAGHTEN (Cuba) thought that the time had come to take stock of the work done by the United Nations during the past three years on the problem of financing the economic development of the under-developed countries. He regretted to note that that work had had practically no results as far as raising of the real standard of living of the less advanced peoples was concerned. That could clearly be seen from the fate of the three proposals to which the Committee had devoted much time and effort: establishment of the Special United Nations Fund for Economic Development and of an international finance corporation, and introduction of measures to abolish international double taxation.

2. Although the General Assembly had approved the idea of setting up a special fund for the economic development of under-developed countries in principle, it had made no specific provision to bring it into existence; as a result, and in spite of Mr. Scheyven's excellent report (A/2728 and Corr.1)—to which the Cuban delegation was pleased to pay tribute—the United Nations was no further ahead today than it had been in 1951.

3. The difficulties encountered in the matter of the establishment of an international finance corporation seemed even more surprising, especially when it was remembered that the idea had its origin in a report entitled *Partners in Progress*, presented to President Truman and issued by the International Development Advisory Board, a United States Government agency, in March 1951. Furthermore, a request for an appropriation of \$100 million for the implementation of the proposal had been submitted to the United States Congress and the International Bank for Reconstruction and Development had constantly stressed the need to encourage private investment in under-developed countries and had repeatedly pointed out that existing national and international institutions were hardly equipped for that task.

4. The United Nations had adopted many resolutions admitting that the current flow of private capital was far from adequate to meet the needs of the under-developed countries. Yet in four years the proposed international finance corporation had never been endorsed in a resolution, a declaration or even a mere preamble. The natural astonishment provoked by that fact became all the greater when it was realized, on the one hand, what part the corporation would be called upon to play and what were the economic principles on which its activity would be based and, on the other hand, the reasons why the United Nations had so far failed to approve the plan.

5. The Cuban delegation was convinced that such a corporation would stimulate foreign investment considerably, not only by channeling the available capital towards the under-developed countries but by creating a favourable atmosphere of international confidence. Moreover—and the Cuban delegation considered that to be very important—the corporation's action could not but have a noticeable effect on the mobilization of domestic resources. In that connexion he recalled the views expressed by his delegation at the 257th meeting of the Second Committee.

6. Lastly, it was to be borne in mind that the Governments' initial contributions would be exceedingly small as compared with the total volume of private capital which would flow to the under-developed countries through the international finance corporation, and the public funds, far from being lost, would revert to the contributing Governments, and while in circulation would actually bear interest, as they would be invested in profitable enterprises. In other words, the corporation

would be based on the principles of free enterprise and private initiative; hence, it would be not only a noble example of international co-operation, but a "business proposition" as well. While it was natural to see Members of the United Nations divided into supporters and opponents of the proposed corporation, according to their own interests and their political and economic systems, it was difficult to understand why a third group of countries had been formed which claimed that they had, as yet, been unable to make up their minds regarding the merits of the proposal, because those very countries owed their economic prosperity to free enterprise and private economy and logically should have been among the most ardent supporters of an institution which would serve private enterprise.

7. It would hardly be fair to make the establishment of the international finance corporation subject to the establishment of the Special United Nations Fund for Economic Development. The functions of the two institutions would be different although complementary, and it was impossible to say that the establishment of one was essential to the success of the other. The Cuban delegation considered that both were necessary, and if they could not be set up at the same time, the one which offered the best immediate opportunities should be set up first.

8. An analysis of both agencies, as now planned, would show, first, that the effectiveness of SUNFED would be limited to \$250 million, an amount generally recognized as inadequate. The initial capital of the international finance corporation would constitute a basic sum to which much larger amounts of capital would be added. Secondly, there were areas in every country where capital could be invested in productive undertakings. What was required was the capital. Moreover, capital invested in self-liquidating projects would produce revenue for the state, which it could reinvest in non-self-liquidating enterprises. Finally, there could be no comparison between the projects undertaken by SUNFED and those promoted by the corporation as a source of permanent employment. The employment opportunities offered by the activities of SUNFED would merely be temporary, while the projects undertaken through the corporation would provide permanent and steady employment for the population.

9. The international finance corporation might, of its own accord, provide funds for non-self-liquidating projects; SUNFED could never, of its own accord, provide private capital for self-liquidating projects, which were, in the last analysis, the ones which would provide permanent employment.

10. With regard to the problem of international double taxation, the Economic and Social Council had decided at its sixteenth session to refer to the Fiscal Commission for further study the entire question raised repeatedly by the Cuban delegation, that is, the effects of double taxation on the international flow of capital, recognition of the principle that capital invested abroad should be subject to taxation in the country of investment only and, lastly, that capital-exporting countries should unilaterally abolish double taxation. Since then, the Economic and Social Council had abolished the Fiscal Commission on the ground that its work was no longer necessary; hence the body competent to deal with those questions had ceased to exist before it had been able to complete the study entrusted to it.

11. The activities of the United Nations during the last three years with respect to the financing of the economic development of under-developed countries could

therefore be summed up as follows: the idea of the establishment of a special fund was considered to be a good one, but its realization was subordinated to all kinds of extraneous considerations; although various technical bodies had favoured the establishment of an international finance corporation, the United Nations had been unable, in four years, to say whether it considered that plan to be sound, fair or poor; lastly, and most important, the United Nations, instead of recommending the elimination of international double taxation, had discontinued the activity of the body which was responsible for studying that problem. It was clear that the United Nations would not achieve any practical results if it followed the same path it had followed hitherto.

12. However, his delegation, far from yielding to pessimism, felt that the developments of the past year, and even since the eighteenth session of the Economic and Social Council, gave grounds for hope that the problem of financing the economic development of under-developed countries could, with a little goodwill, be solved in the not too distant future. He referred first to the cessation of hostilities in Indo-China, which in 1952 alone had cost France \$1,000 million, and the passage of the United States budget, enabling the taxpayers of that country, which was the principal capital-exporting country in the world, to save more than \$3,000 million annually, which they had previously paid in taxes. Those two developments were extremely important, not only because they released capital in two countries which had always expressed the desire to assist the under-developed countries, but also because the latter example at least showed that even a country economically as highly developed as the United States attached importance to fiscal measures as a stimulus to investment. The same idea was to be found in many technical works, such as the Randall Commission's report<sup>1</sup>, published in January 1954. That Commission, while recognizing that an increase in foreign investments would directly benefit the United States, had criticized United States fiscal policy on the ground that it nullified the effects of any tax reductions which foreign Governments might introduce for the purpose of attracting American capital. United States fiscal laws might even put foreign Governments under pressure to levy income taxes or to increase existing taxes. The conclusions of that United States commission completely justified the theory which his delegation had always supported, that the system of double taxation had to be abolished by the unilateral action of the capital-exporting countries.

13. With respect to the international flow of capital, he wished to clarify a statement by Mr. Machado, the Cuban member of the Board of Governors of the International Bank for Reconstruction and Development, to which the United States representative had briefly referred in his speech at the 291st meeting. What Mr. Machado had wanted to emphasize was both the lack of available international capital in comparison with the needs of the under-developed countries, and the fact that, under the Bretton Woods Agreements, loans by the Bank were made subject to conditions which precluded investments from being made in fields which were vital to the economy as a whole, but which in some countries were traditionally reserved for private enterprise.

<sup>1</sup> United States Commission on Foreign Economic Policy, *Report to the President and the Congress*, Washington, D.C., 1954.

14. It was nevertheless true—and the delegations of the under-developed countries were not the only ones to dwell on that aspect of the problem—that the private capital flowing to the under-developed countries was far from adequate. In fact, many reports of experts, for instance the one entitled *The International Flow of Private Capital 1946-1952* (E/2531), had pointed out that the volume of foreign investment had greatly decreased, not only in absolute but also in real value, to less than half of the 1920 level as a result of price increases and the growth of population in both capital-exporting and capital-importing countries.

15. The financing of the economic development of the under-developed countries could be ensured if, on the one hand, the United Nations allocated from \$50 to \$100 million for the establishment of an international finance corporation and \$250 million for the Special Fund and, on the other hand, if the economically developed countries abolished the taxes they imposed on profits derived from the capital investments of their nationals abroad.

16. That fiscal reform would mean an annual loss of about \$250 million to the Government of the principal capital-exporting country, the United States of America, but all such amounts were trivial when compared with the savings that France had realized through the cessation of hostilities in Indochina, or with the savings which had accrued to American taxpayers as a result of the tax reduction. As the authors of *Partners in Progress* had said, the establishment of the international finance corporation and the adoption of the proposed fiscal measures would result in increasing the annual volume of American capital investments in the under-developed countries to \$2,000 million.

17. In the hope of helping the United Nations to break the deadlock, his delegation wished to submit the following specific proposals to the Committee. First, as the Fiscal Commission had been discontinued, the General Assembly should entrust the study of the problem of double taxation to the Economic and Social Council and request it to examine it at least once a year when it considered the general question of economic development. Second, the General Assembly should come to an immediate decision on the international finance corporation. If it considered that the time was ripe for its establishment, it should take the necessary steps to call a conference at which Governments could state what contributions they were prepared to make; if not, it should appoint a special representative who, on behalf of the United Nations, would contact Governments and appropriate private financial circles in order to induce them to provide the money needed to establish the international finance corporation during the coming year.

18. His delegation firmly believed that the countries which could, at will, change the fate of the world, would face their responsibilities and make it possible for the General Assembly at its ninth session to adopt effective measures to ensure the financing of the economic development of the under-developed countries.

19. Mr. GARCIA (Philippines) emphasized the importance and the complexity of the problem of the economic development of the under-developed countries, and noted with satisfaction that the United Nations was taking an active part in the efforts to solve it.

20. The needs of the under-developed countries were now known and it was recognized that the world community, especially the United Nations, had to ensure

their development and help them to achieve economic independence. The maintenance of peace was based on the idea that all peoples had to enjoy the benefits of a sound economy. Various bilateral and multilateral agreements, as well as the United Nations Charter, had reaffirmed that principle. Only recently, the representatives of eight nations, meeting at Manila, had signed the South-East Asia Collective Defence Treaty and the Pacific Charter, which provided for economic co-operation between the signatory States to promote economic progress and social well-being in that region.

21. In his annual report (A/2663), the Secretary-General had drawn attention to two dangers which threatened the world economy—the tendency for the population to increase more rapidly than the production of foodstuffs, and the growing disparity between standards of living in different countries. Immediate action had to be taken in every possible way, because millions of people were at present living in poverty and misery and hoped for a better life.

22. His delegation realized that the under-developed countries had already received considerable assistance under bilateral or regional agreements and through the activities of the United Nations. His country had benefited particularly from United States aid, as well through the technical assistance provided by the United Nations and the specialized agencies. The Colombo Plan also offered great benefits to the under-developed countries. Nevertheless, however valuable technical assistance might be, there was a danger that it would not produce any results if it was not supplemented by a large capital contribution.

23. International trade was also a major factor in the economic development of the under-developed countries. Such countries had to be guaranteed a fair price for their produce and had to be assured a stable and adequate volume of foreign trade. Countries exporting primary products were faced with great difficulties. The Philippines was currently engaged in negotiations with the United States for the revision of the existing agreements, in order to readjust to the economic situation.

24. The Philippines provided an example of an under-developed country in which conditions were favourable to the investment of private foreign capital. It had had to impose currency and trade controls and to take certain steps to safeguard the national interest, but on the whole foreign capital was accorded privileges. Thus Philippine industry had profited by certain foreign investments, but the country would need further capital to finance social projects.

25. The establishment of the Special United Nations Fund for Economic Development and of the international finance corporation, whose potential value had been amply demonstrated, had been proposed to finance the economic development of the under-developed countries. The Philippine Government was prepared to contribute whatever it could afford to SUNFED and hoped that the Governments whose support was essential for the establishment of those bodies would reconsider the matter and modify their position on a question vital to the under-developed countries.

26. The Philippine delegation had welcomed the enactment in the United States of the Agricultural Trade Development and Assistance Act (1954), which would enable agricultural surplus to be put on the market in such a way as to assist the under-developed countries to further their economic development programmes. His

delegation hoped that the United States proposal on the use of atomic energy for peaceful purposes would also enable such countries to be assisted. But for all that, new measures had to be sought and applied without delay, as the economic development of the under-developed countries required action on all fronts.

27. Mr. ARDALAN (Iran) believed that the many interesting discussions which the Committee had in recent years devoted to the economic development of the under-developed countries were irrefutable proof of the feelings on that subject harboured by the Members of the United Nations. Lasting peace would be achieved only when that vitally important problem had been satisfactorily solved. It had to be admitted that no positive results had been achieved, but the Iranian delegation was convinced that, if the Committee continued to work with perseverance, mutual understanding and a spirit of sincere co-operation, a solution would be achieved to the advantage of all. The more developed countries were well aware that they would ultimately benefit from the economic advancement of the under-developed countries and that any weakness in the economy of other countries bred nothing but stagnation and uncertainty on the world market. Every Government was in duty bound not to lose sight of the common interest and the general well-being of other peoples in addition to the commitments it assumed and the action it undertook for the development of its domestic economy and the raising of its own peoples' living standards.

28. Sincere co-operation would enable living conditions to be improved in a world where two-thirds of the people still lived in poverty. All the international and regional organizations which had been set up after the Second World War were tangible proof that the idea of the interdependence of peoples had penetrated the conscience of mankind. The distrust which had sprouted and grown among peoples who had known nothing but privation for centuries had to be eradicated.

29. The Second Committee had before it useful reports and studies on the economic condition of the under-developed countries, but it was to be regretted that the documentation on the world economic situation and the like included information which was not always very up-to-date. Economic fluctuations, whose nature should be known, even if only in summary form, often occurred between the date of publication and the date of consideration by United Nations bodies. The gap might be filled to a certain extent if the Secretariat issued shortly before the General Assembly's regular session a brief document, pointing out the main changes that had occurred.

30. A consideration of the world economic situation showed that 1953 had been a favourable year, especially for the countries of Western Europe, which had made appreciable progress towards recovery. The two obstacles which Europe had had to surmount after the war and which had stood in the way of its recovery — inflationary trends and inadequate productivity — had now disappeared. Although the rate of activity in the United States had slowed down in the second half of 1953, the economic development of the European countries had continued normally, and the recession in the United States had not affected them unfavourably. Indications of improvement had appeared in the United States itself, and its Government had not been compelled to have recourse to measures to prevent a deterioration of the situation.

31. But, according to the *World Economic Report 1952-53* (E/2560),<sup>2</sup> economic conditions in the under-developed countries, whose population constituted two-thirds of that of the world, had not been satisfactory. The decrease in the economic activity of the under-developed countries was to be noted with particular attention by the economically developed countries, because they had first of all to increase the volume of their exports in order to stabilize their economic situation. If they did not succeed in increasing the purchasing power and improving the economic situation in their markets, they would not be able to view their future with equanimity.

32. The volume of exports of the countries producing raw materials had not decreased since the middle of 1952, but their earnings had definitely remained lower than they had been previously. Undeniably, the greater the decline in the value of the exports of those countries, the greater was the decline in their purchasing power and their ability to import goods required for the development of their economy. Considerable fluctuation had been noted in the prices of various products and groups of goods in 1953, and the relationship between the prices of raw materials imported by the industrialized countries and those of finished and semi-finished products that they exported had become advantageous to them.

33. As a result of the decline in the prices of certain raw materials and the falling off of demand in the industrialized countries, the living standards of the peoples in the under-developed countries were declining instead of rising. The under-developed countries might still develop their agriculture on the strength of their own income and savings, but it was illusory to hope that they might advance towards industrialization, the essential factor for raising their peoples' living standards, by their own unaided efforts.

34. The European countries had had recourse to financial aid from the United States and Canada in order to rehabilitate their economy. The under-developed countries also needed foreign capital. Their inhabitants had become aware of their poverty and destitution and aspired to a decent life. Even if the industrialized countries looked only to the economic aspect, disregarding political considerations and the difficulties which might arise in that connexion, they should understand that the establishment of new markets in the under-developed countries for the goods that they exported, and a consequent increase in the volume of their trade, were in their own interest. By creating new buyers with greater purchasing power, the industrialized countries would simply stabilize their economic situation and thus safeguard their primary interests.

35. In their report entitled *Measures for the Economic Development of Under-Developed Countries* (E/1986), experts had calculated in 1951 that an investment of foreign capital of \$14,000 million annually in the agriculture of the under-developed countries would enable *per capita* income to be raised by two per cent annually, but that considerable sums would also have to be invested in the non-productive branches of the economy. To that end, they had advocated the adoption of a system whereby the economically advanced countries would supply capital to the under-developed countries in the form of grants-in-aid. At its sixteenth session, the Economic and Social Council had had before it the report prepared by the Committee of Nine (E/2381).

<sup>2</sup> United Nations Publication, Sales No.: 1954.II.C.1.



At its eighteenth session it had considered the interim report submitted by Mr. Scheyven (E/2599 and Corr.1). It was clear from that report that assistance to under-developed countries answered humanitarian, political and economic needs, that two-thirds of the world's people were living in abysmal poverty and that the division of the world into poor and rich countries was fraught with dangerous political consequences.

36. In his final report (A/2728 and Corr.1), which had just been distributed to the members of the Second Committee, Mr. Scheyven had described the consequences of poverty, hunger, and sickness, and had expressed the hope that the peoples of the world would utilize their latent energies in a generous effort to achieve a better life. The Iranian delegation paid tribute to Mr. Scheyven; he had recognized the development of the under-developed countries as the key problem of the present time, and had expressed the frank opinion that the establishment of the Special United Nations Fund for Economic Development was essential for the economic development of those areas. After analysing the observations of Governments on the establishment of SUNFED, Mr. Scheyven had divided the countries of the world into three groups. The first group, consisting of the under-developed countries, considered that the fund should be established and the initial capital suggested by the experts should be raised even before world disarmament had been achieved. The second group, consisting of the economically advanced countries, agreed in principle with the establishment of the fund but had serious reservations regarding the advisability and the practicability of establishing it at the present time. The third group, which also consisted of economically advanced countries, urged the immediate establishment of the fund, without waiting for a general reduction in armaments expenditure. The point on which all three groups were agreed was that SUNFED should be established on a realistic basis. That was also the view of the Iranian delegation. In other words, it was essential that responsibility for the establishment and operation of the fund be shared by a sufficient number of industrialized countries, including in particular the United States of America.

37. The United States representative had said at the 18th session of the Economic and Social Council (813th meeting) that his country had contributed nearly \$6,500 million in aid to the under-developed countries, or more than twenty-five times the amount of \$250 million required for the establishment of SUNFED. Mr. Ardalan took the opportunity to express the gratitude of the Iranian people for the financial assistance it had received from the United States Government in the past three years. Certain countries were against the establishment of SUNFED, not because they thought that there would be difficulty in obtaining the necessary capital, but rather because they felt that present circumstances were not propitious for the execution of the plan. The Iranian delegation did not find that argument very convincing, and hoped that some of the great industrialized countries whose participation was essential for the creation of the fund would reconsider their position and agree to its immediate establishment.

38. Clearly, the Economic and Social Council considered the question to be one of major importance; at its eighteenth session it had adopted resolution 532 A (XVIII), which recommended that the General Assembly urge Governments to review their respective positions with regard to extending their material support to the special fund, and that it extend the appointment

of Mr. Scheyven in order that he might continue his consultations with Governments.

39. The Iranian delegation heartily and sincerely supported the Economic and Social Council's decision and was convinced that if the General Assembly, by a very large majority, showed a genuine interest in the question, that would substantially facilitate the establishment of SUNFED.

40. Mr. A. P. MOROZOV (Union of Soviet Socialist Republics) said that the problem of the economic development of the under-developed countries was the more acute because the economic position of those countries was still deteriorating. It was not a single problem, but a complex of closely related problems, among them the financing of economic development, the elimination of unemployment, the development of trade, etc. At various times and, in particular, at the eighteenth session of the Economic and Social Council an attempt had been made to minimize the scope of the problem and to ignore its essential elements. That had been detrimental to the interests of the under-developed countries, whose fervent desire it was that practical action be taken to improve their economic position and to raise the standard of living of their peoples.

41. The under-developed countries had all the resources in manpower and raw materials necessary for the harmonious development of their economies, but those resources were often exploited in the interest of foreign monopolies.

42. In the last two or three years, the position of the under-developed countries, far from improving, had gone from bad to worse. Owing to the deterioration of the terms of trade and to the deficit in the balance of payments the under-developed countries had had to cut down their purchases of needed commodities, in particular those of equipment. The crisis of over-production had spread to such branches as rubber-growing and tin-mining in Indonesia and Malaya, sugar production in Cuba and so on. In many of the under-developed countries the cost of living had risen; it had, for example, increased by 30 per cent in Thailand, by 4.5 times in Bolivia and by 6.4 times in Paraguay, and unemployment had spread.

43. As a result of their political and economic dependence on other countries, the economic development of most under-developed countries had taken the form of specialization in the production of one or two types of raw materials for export to specific countries. That one-sided development of the economy of the under-developed countries was largely due to the fact that key positions in those countries were held by foreign capital, which forced that one-sided development upon them without regard to their national interests. Despite the recommendations of the General Assembly and the Economic and Social Council the economic imbalance prevailing in those countries continued to increase. For example, tin and wolfram had represented 67 per cent of Bolivia's exports in 1937 and 79 per cent in 1953; coffee and cotton had accounted for 61 and 75 per cent respectively of Brazil's exports. In Colombia, coffee and oil had made up 88 per cent of the total exports in 1937, 94 per cent in 1951 and 96 per cent in 1953. In Venezuela, similarly, oil had represented 89 per cent of the total exports in 1937 and 94 to 96 per cent in 1953. Moreover, an analysis of exports and imports by countries showed that the dependence of the under-developed countries on specific countries was constantly increasing. For example, Latin American exports to the

United States and Canada had constituted 46 per cent of the total in 1937, but had accounted for 62 per cent of the total in 1953. Those facts provided an insight into the cause of many of the economic difficulties which the under-developed countries were experiencing and into the cause of the growth of those difficulties. The monopolies of some capitalist great Powers were taking advantage of the situation to impose increasingly unfavourable terms on the under-developed countries. As a result, those countries had now had to increase the volume of goods exported by two-thirds over the level at the end of the last century in order to pay for their imports.

44. As was known, the position of the under-developed countries had deteriorated still further. In that connexion, it should be borne in mind that the militarization of the economies of a number of countries had been accompanied by an increase in exports of strategic raw materials from the under-developed countries and by an intensification of the inequality in the terms of trade.

45. Furthermore, the under-developed countries were the victims of the policy pursued by the United States and the other countries which prevented them from trading with the Soviet Union, the People's Republic of China and the people's democracies. However, business circles in most of the under-developed countries condemned that discriminatory policy, and demanded the removal of restrictions on free trade. In that connexion Mr. Morozov quoted several statements from Argentine, Brazilian and Indian newspapers.

46. As far as the financing of the development of the under-developed countries was concerned, the USSR delegation had repeatedly affirmed that the basis for the economic development of the under-developed countries was unquestionably the utilization of their national resources, and that foreign capital should only participate provided that it was used to supplement local resources and, above all, provided that foreign investment operated with due respect for the legitimate interests and the sovereignty of the under-developed countries. Foreign investments neither could nor should be regarded as the principal source from which economic development could be financed, since foreign capital was exported to the under-developed countries for the purpose not of promoting the economic development of those countries, but of securing the maximum profits. The *Magazine of Wall Street* of 26 June 1954 had openly stated that it was up to the under-developed countries to create favourable conditions for investment, since the essence of business was not charity but profit. The same idea had recently been expressed by Mr. Humphrey, the United States Secretary of the Treasury, and had also been taken up in Mr. Scheyven's report.

47. It was true that the amount of foreign investment in the under-developed countries had, generally speaking, increased. The amount of capital invested by the United States in Latin America had almost doubled between 1946 and 1953, rising from \$4,300 million to \$8,000 million. But that influx of foreign capital had done nothing to improve the economic situation of the countries concerned. The *Economic Survey of Latin America, 1951-1952* (E/CN.12/291/Rev.2)<sup>3</sup> showed that the amount of foreign capital invested in Latin America during that period had been \$3,992 million,

but added that the volume of profits transferred had been \$5,773 million. The fact that foreign capital amounting to \$2,598 million had been purchased during the same period also had to be taken into account. Thus, the volume of profits transferred and of interest payments on foreign investments had at present exceeded the net influx of foreign capital by \$4,379 million. There had been scarcely any change in the situation in 1953. According to the *Journal of Commerce* of 6 January 1954, private investment abroad, in the first nine months of 1953, amounting to less than \$1,000 million, had brought United States capitalists a return of over \$1,500 million. Those examples plainly showed that foreign investment in the under-developed countries could not be regarded as the main source from which economic development could be financed, but that on the contrary it was really one of the causes of their unfavourable balance of payments and that, in fact, it was the under-developed countries which financed the capital-exporting countries.

48. The aforementioned facts had determined the attitude of the USSR delegation to the Economic and Social Council draft resolution on the international flow of private capital for the economic development of under-developed countries. This draft, which became resolution 512 B (XVII), had been adopted at the insistence of the United States and ran counter to the interests of the under-developed countries.

49. Mr. Morozov said that the anxiety expressed by the representatives of the under-developed countries with regard to their economic position, their concern and desire to find a new system of financing their economic development was understandable in the light of those facts. It was also clear why the idea of setting up a special fund to finance that development had come into being.

50. The USSR delegation was following with great interest the efforts of the under-developed countries to find new procedures and methods of solving the problems of their economic development. It considered, however, that the elimination of trade restrictions and inequalities in the terms of trade forced upon the under-developed countries, and the extensive development of normal trade relations on the basis of mutual advantage would be of far greater value to their economic development than the setting up of a special fund.

51. In connexion with agrarian reform he reminded the Committee of General Assembly resolution 524 (VI), and of Economic and Social Council resolution 512 C (XVII) concerning the institution of land reforms in the interest of landless small and medium farmers, whose importance he emphasized. Agrarian reform was essential if the standard of living of the agricultural population of the under-developed countries was to be improved. In that connexion he quoted the example of the People's Republic of China, where a radical agrarian reform had been carried out.

52. Lastly he reminded the Committee that, in many under-developed countries, there was a growing movement in favour of the multilateral development of their economies through the development of their national industry, agriculture and other sectors of the economy, and in favour of the strengthening of their economic independence; the expansion of trade with all countries, the extension of economic co-operation and the fixing of fair prices for their exports and imports. He quoted statements on that subject by Prime Minister Nehru of India, the President of Costa Rica and the Minister

<sup>3</sup> United Nations Publication, Sales No.: 1953.II.G.3.

of National Economy of Syria. It was the duty of the United Nations to support such national efforts.

53. For its part, the Soviet Union, as it had on several occasions stated in the Economic Commission for Asia and the Far East and in the Economic and Social Council, was ready to develop its trade with the under-developed countries on a basis of equal rights and mutual interests. The under-developed countries for their part were anxious for the fullest possible development of such trade. The Soviet Union was prepared to consider entering into long-term contracts for the purchase of the products of those countries in exchange for USSR products, and such transactions would be effected at fair and stable prices. In its desire to advance the economic development of the under-developed countries

the Soviet trade organization was prepared to supply them under the terms agreed upon with capital goods and machinery, payment for which could be made in instalments. By its participation in the Expanded Programme of Technical Assistance and by the bilateral agreements it had concluded with many countries, the Soviet Union had shown its interest in the economic development of the under-developed countries. In that connexion it would always uphold the principle that technical assistance and other economic assistance rendered to the under-developed countries should never be subordinated to political, economic or military conditions.

The meeting rose at 1.5 p.m.