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**SECOND COMMITTEE, 295th
MEETING**

**Thursday, 14 October 1954,
at 3.15 p.m.**

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C O N T E N T S

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Agenda item 25:

**Economic development of under-developed countries
(continued):**

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| <ul style="list-style-type: none"> (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; (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 | } 33 |
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Chairman: Sir Douglas COPLAND (Australia).

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)

At the invitation of the Chairman, Mr. Raymond Scheyven, Special Rapporteur, took a place at the Committee table.

1. The CHAIRMAN, before giving the floor to Mr. Scheyven, reminded the Committee that the list of speakers in the general debate on item 25 would be closed at the end of the meeting.
2. He then welcomed Mr. Scheyven, who had been requested by the Committee to make his statement during the general debate, and added that discussion of Mr. Scheyven's report and statement would be held at the time when sub-item 25 (a) was taken up.
3. Mr. SCHEYVEN (Special Rapporteur) said that immediately after his appointment by the General Assembly he had visited Washington, Paris, Brussels, Luxem-

bourg, The Hague, Copenhagen, Stockholm, Oslo, Rome, London and Ottawa. Following his visit to the various capitals, he had been able to inform the Economic and Social Council at its eighteenth session that affirmative replies regarding the Special United Nations Fund for Economic Development had been received from several Governments including those of Belgium, Denmark, France, Italy, Japan, Luxembourg, Norway and Netherlands, while other industrialized countries, namely the Federal Republic of Germany, Canada, the United States of America, New Zealand, the United Kingdom, Sweden and Switzerland, had been opposed to its immediate establishment.

4. During the Council's eighteenth session he had kept in touch with the United States and United Kingdom delegations and he was maintaining contact with them in New York. He had informed the Government of the Union of Soviet Socialist Republics that he was willing to go to Moscow if it so desired. He had also visited Bonn to explain the matter once again to the West German Government, and had subsequently spoken with the Swiss Minister of Foreign Affairs at Geneva.

5. In his report (A/2728 and Corr.1) he had divided the replies from Governments into three groups: the first consisted mainly of the replies from the under-developed countries which believed that the special fund should be established forthwith; the second group made their participation conditional on world-wide internationally supervised disarmament; the third group, while believing that the establishment of the special fund should not necessarily be contingent on supervised disarmament, nevertheless made their participation dependent on the fulfilment of certain conditions.

6. He had listened with great interest to the Swedish representative's statement at the Committee's 290th meeting that Sweden should have been included in the third rather than in the second group. In that connexion he explained that he had placed Sweden in the second group on the basis of the Swedish Government's written reply (A/2646) and would gladly correct his mistake by transferring it to the third group.

7. The conclusions in chapter V of his report had apparently disappointed many representatives. He had hoped to present a much more encouraging picture, but he had been obliged to remain objective and realistic.

8. It would be unjust to consider that the industrialized countries in the third group were more or less generous than those in the second group; both groups had repeatedly given tangible evidence of their concern about the plight of the under-developed countries. The countries in the third group felt that the existing inequalities in the international distribution of income constituted a permanent threat to world peace and that the development of the under-developed countries was in itself an urgent problem, the solution of which would contribute to peace and to the lessening of international tension.

9. At the eighth session of the General Assembly, the Netherlands representative had pointed out that the \$250 million the Committee of Nine considered necessary to enable the special fund to start its work represented only one three hundred and fortieth of the annual defence expenditure of the western countries. Several speakers had shared the view that, in addition to that heavy war-risk insurance premium, a smaller but equally necessary contribution should be paid in the form of assistance to the under-developed countries.

10. The countries in the second group maintained that because of the defence expenditure to which they were committed they were unable, at least for the time being, to undertake further financial commitments and that they preferred to assist the under-developed countries through means other than the special fund. As the three greatest industrial Powers, the United States, the United Kingdom and the Soviet Union, were not prepared to support the immediate establishment of the fund and as the participation of countries in the third group was contingent on the participation of the main industrialized countries, particularly the United States, it was a necessary conclusion that the essential conditions for the establishment of the fund in the near future did not exist.

11. Yet it would be wrong to underestimate the substantial progress which the idea of the special fund had made during 1954. Most of the industrialized countries now supporting establishment of the fund had opposed it in the recent past. Only a few months before, for example, the Belgian Parliament would certainly not have approved a contribution to the fund, whereas he believed that a majority favouring this course could now be found in all the political parties. There were reasons to believe that other industrialized countries would soon reverse their negative attitude. In addition, the lessening of international tension which had become apparent during the Economic and Social Council's eighteenth session at Geneva had continued in recent months and had enhanced the prospect of world-wide supervised disarmament. The recent statements by the great Powers regarding the peaceful use of atomic energy were also of particular interest to the under-developed countries where the lack of sufficient cheap power was one of the major obstacles to rapid industrial development.

12. The idea of the special fund would triumph because public opinion could not remain unmoved by the plight of the greater part of the world's population. In that connexion he drew attention to chapter I, section 1 of his report. In the course of the summer he had had the opportunity of studying at first hand the living conditions of the people in certain under-developed countries. It was the duty of the United Nations to enable them to live like decent human beings.

13. In order to undertake such large-scale international assistance the United Nations required an agency capable of financing non-self-liquidating investments in the under-developed countries. In order to distinguish between self-liquidating and non-self-liquidating investments the term "self-liquidating" had to be given its accepted meaning in finance, namely "producing a return on capital". From the point of view of the economy generally, all investments, including expenditure for the building of schools and hospitals, were directly or indirectly self-liquidating; the provisions of schools and hospitals, for instance, would in the long run result in a more highly skilled and healthier labour force. From the financial point of view, however, many investments, whether social or economic, had to be regarded as non-

self-liquidating because they produced no income to remunerate the capital invested or did so only on an excessively long-term basis. He had used the phrase "social or economic" advisedly, because many economists made the mistake of regarding social investments as non-self-liquidating and all economic investments, such as the building of dams and roads, as self-liquidating. The special fund should give priority to investments that would contribute most to the rapid development of the country concerned, regardless of whether they were of a social or an economic nature, provided, of course, that the projects could not be financed from domestic savings, foreign private capital or by the International Bank for Reconstruction and Development.

14. In one under-developed country he had visited, the number of illiterates in certain areas was over 80 per cent and a large proportion of the population suffered from syphilis. The situation urgently demanded social investments to provide health services and schools, but the areas in question also needed roads and, despite the urgent need for social investment, he would be inclined to give priority to road-building, because doctors and teachers were more likely to take jobs in remote villages if there were roads to the towns. In addition, roads and communications would contribute to the economic development of the country in question and would soon enable it to provide for social investment from its own resources.

15. Obviously, non-self-liquidating investments could be financed neither by the Expanded Programme of Technical Assistance, which had no funds for the purpose, nor by private capital, which rightly expected profit, nor by the International Bank for Reconstruction and Development, which charged interest and expected repayment within a reasonable period, nor by the international finance corporation, if it were established.

16. The United States representative had referred (291st meeting) to a statement by the Cuban member of the Board of Governors of the Bank in September 1954 that the Bank had never had to refuse loans to the under-developed countries for lack of capital and that the problem was, rather, to find worthwhile projects. The only conclusion which could properly be drawn from that statement was that the Bank could not, by itself, finance the under-developed countries. Like any other bank, the International Bank lent only to the rich, i.e. to those who could pay normal interest on the capital borrowed and undertake to repay the capital within a reasonable time. Most under-developed countries were too poor to undertake such an obligation. In that connexion he drew attention to the statement to the Second Committee (163rd meeting) by Mr. Black, the President of the International Bank, at the sixth session of the General Assembly that the rate of development in certain countries could be not substantially increased unless foreign capital were made available in the form of gifts rather than of loans.

17. He agreed with the Swedish representative that the Expanded Programme of Technical Assistance could be usefully extended even further, but the representatives of the Technical Assistance Board he had met in various countries had stressed that the projects they had recommended required an outlay of capital which only the special fund could provide. The Swedish Government had suggested, in its comments on the report of the Committee of Nine (E/2381), that financial assistance to the under-developed countries might be rendered by gradually expanding the existing technical assistance programme to include the supply of capital.

18. At the end of chapter I of his report, he had pointed out that the special fund could not by itself ensure the development of the under-developed countries; joint action would be required by the special fund, private capital, the Bank, the international finance corporation and the Technical Assistance Administration. As far as the time factor was concerned, the establishment of the special fund was the most urgent requirement. At the present stage, the most important task was to finance the economic and social infrastructure by grants-in-aid and low-interest, long-term loans.

19. Some great Powers were still opposed to the immediate establishment of the special fund because internationally supervised world-wide disarmament had not been achieved and because their defence expenditure was so heavy that they could not undertake any further financial commitments. He had, on various occasions, been asked why a special fund should be established when the industrialized countries could assist the under-developed countries directly through such agencies as those set up under the Colombo Plan or the Point Four programme and through bilateral or multilateral agreements. While not belittling the usefulness of bilateral or multilateral arrangements, he considered that some of the assistance to the under-developed countries should, for a number of reasons, be provided through an international fund within the framework of the United Nations.

20. In the first place, the fund would avoid the inevitably awkward relationship between donor and recipient countries. All states would be called upon to contribute. Obviously the more advanced countries would be mainly contributors and the under-developed countries mainly recipients, but a similar situation prevailed under any national social security scheme: rich and poor contributed in proportion to income, and those who drew benefits did not feel that they were receiving charity.

21. Secondly, each under-developed country should be able to obtain assistance according to the urgency of its requirements and its possibilities of economic development, but regardless of its domestic policy, strategic position or natural resources, a point emphasized by the Committee of Nine.

22. A third consideration was the importance of co-ordinated world economic development, which could not be achieved if the under-developed countries received assistance under bilateral or multilateral agreements. The Italian Government was investing vast amounts of money on the development of Southern Italy. It was questionable whether the scheme could be considered economic but it was all that could be done on a national scale. The problem could, however, be solved on a world scale by the development of richer, under-populated territories in which employment could be found for Italy's surplus manpower.

23. Finally, it had to be decided what part the United Nations was to play in the world. The Secretary-General had already drawn attention to the loss of prestige the United Nations would sustain if all major political problems were dealt with elsewhere. Recently world attention had concentrated on Berlin, Geneva, Brussels and London rather than on the United Nations. The same must not be allowed to happen in the case of economic and social development.

24. The experts appointed by the Secretary-General to study the international flow of private capital had published a report (E/2531) and concluded that private

capital was not being invested in the under-developed countries on any substantial scale and that there was little likelihood of improvement. The experts who had studied primary commodity trade in relation to economic development had recommended in their report (E/2519) the establishment of a commission, but had warned that the commission might be useless and even harmful if Governments were not convinced of the value of its work or were not prepared to support it by their contributions. Again, the International Bank for Reconstruction and Development, in its report of June 1954 (E/2616) had expressed the view that the countries on which the international finance corporation would be mainly dependent were not prepared to contribute to it and that some even doubted the advisability of the scheme. As far as the special fund was concerned, he had been obliged to come to a similar conclusion, despite the hopes raised at Geneva by the change in attitude of some of the industrialized countries.

25. The Committee should profit from the lessening of world tension and the reduced defence expenditure in some States to take a step towards the objective of economic development instead of again deferring the whole matter. If the Committee felt that, because of limited resources, a choice had to be made, at least for the time being, between the special fund and the international finance corporation, he hoped that a decision would be arrived at, preferably in favour of the special fund.

26. It was unfortunate that the replies of Governments had not included more comments on the report of the Committee of Nine. Some of the recommendations were open to discussion and if countries could suggest different solutions or indicate their preference for the alternative solutions proposed, the establishment of the special fund might be facilitated.

27. One important point was the nature of contributions and the size of the special fund. The experts had recommended that the fund's resources be derived not from fully paid-up capital subscriptions but from renewable contributions paid by each State in its national currency and convertible only with its consent. They also suggested that \$250,000 million would be sufficient for the fund to begin operating. The Cuban Government felt the figure was too low even as a beginning. On the other hand, the Belgian Government had welcomed it as a moderate figure while the United States had considered it much too low in view of the known needs of the under-developed countries. The figure was only intended as a starting-point and other contributions would be called for later in the light of the subsequent needs of the under-developed countries and of any savings arising out of disarmament. As he had pointed out in his report, it was impossible to determine the real needs of the under-developed countries. At the outset, \$250,000 million might be sufficient, since the special fund would at first be mainly concerned with the study of projects suggested to it and the training of technicians capable of carrying them out. Once that preliminary work had been accomplished, the demands upon the fund would increase considerably for some years and then gradually decline. Once the economic development of the under-developed countries was well under way they would be able to finance most of their investments themselves through domestic savings. If, however, the \$250,000 million contribution could be maintained over a period of years, the fund's assets would soon total \$2,000 million, as much as the Bank had lent over an eight-year period. If, as the experts hoped, countries repaid the sums granted to them, additional resources

would become available to assist areas which had not yet received sufficient assistance.

28. A second controversial issue was the question of grants and loans. The Bank was opposed to the experts' suggestion that the special fund should make long-term low-interest loans as well as grants. He shared that view; it would be wiser to leave it to the Bank to lend money to the under-developed countries at normal interest rates while the fund would confine itself to making grants and possibly long-term interest-free loans. If the work of the Bank and of the fund could be co-ordinated sufficiently, it would be possible to grant low-interest loans to the under-developed countries by financing programmes through a grant from the fund combined with a loan from the Bank, in which case the actual interest rate would depend on the relative sizes of the grant and of the loan.

29. A third point at issue was the composition of the special fund's executive board. The experts had recommended that contributing and receiving countries should have an equal number of votes, a proposal that had not been accepted by the United States, the United Kingdom and Canada. The experts' plan was obviously right in principle but possibly unrealistic. A compromise between their views and those of the great industrial Powers should be found.

30. He would also welcome comments on the organization of the special fund. Some countries wanted it to operate under the auspices of the Technical Assistance Administration while others felt that it should be under the aegis of the Bank. Proponents of the establishment of a new agency made the point that the Technical Assistance Administration did not possess the financial machinery required for the fund and that the Bank could not properly undertake the making of grants to under-developed countries. In any case, it was clear that the closest co-operation would have to be maintained between the Technical Assistance Administration, the Bank and the special fund.

31. The disappointment of delegations at his final report was understandable in view of the satisfaction and even enthusiasm that had been created at the eighteenth session of the Economic and Social Council by the promise of support by eight industrialized countries.

32. The fate of the special fund depended on the attitude of the great Powers. It was urgent that they make their position clear. If there was some hope of establishing the special fund in the near future, negotiations should obviously be continued. If there was no hope for the fund, it would be far better to say so clearly instead of postponing the matter from year to year. In any case, even if it were decided to establish the fund immediately, a long period of preparatory organization would be necessary before operations could begin.

33. A decision in favour of the Special United Nations Fund for Economic Development would create an immense wave of hope in the under-developed areas and considerably enhance the prestige of the United Nations. It would be evidence of the combination of realism and idealism without which the economic development of the under-developed countries could not be accomplished.

34. At the suggestion of Mr. EL-TANAMLI (Egypt), the CHAIRMAN said that he would ask the Secretary-General to give the widest possible publicity to the statement just made by Mr. Scheyven, as he was sure that that would be the wish of the Committee.

35. Mr. FORTMAN (Netherlands) said that his delegation believed that the time had come to give effect to the solemn pledges Members had made in Articles 55 and 56 of the Charter of the United Nations. It wholeheartedly endorsed the Secretary-General's view that the increasing gap between living standards in the poorest and the richest countries might ultimately prove more dangerous than the conflicts which currently monopolized attention. Economic problems should not be subordinated to political problems, as was still the case in relations between the major Powers, but all sources of world tension should be investigated simultaneously. Improved economic conditions promoted greater stability both within and between nations.

36. In advocating the immediate establishment of SUNFED the Netherlands Government realized that international problems, both economic and political, could not be solved unless living standards in the under-developed countries were raised and their economic foundations strengthened with external assistance from the richer countries. The Committee's "wait and see" attitude should be abandoned. The problem of reducing the gap between living standards had to be tackled on a world-wide basis. Such an approach would eliminate fears and suspicions and safeguard the independence of the less developed countries. In advocating the immediate establishment of the special fund, his Government was motivated primarily by what Mr. Scheyven had called the moral imperative, the obligation of the wealthier countries to assist the poorer countries to solve the problem of poverty, hunger and disease. That moral obligation, which had been stressed by the 1948 Inter-parliamentary Conference and the recent Assembly of the World Council of Churches, was also a legal duty under Article 55 of the Charter of the United Nations.

37. There were also economic arguments in favour of the establishment of SUNFED. An adequate supply of primary commodities was necessary to increase world consumption and manufacturing capacity. Industrialization not only would confer important social and economic benefits on the under-developed countries but would also provide expanded markets for the wealthier countries. In that connexion, the United States representative had referred to the recent United States Agricultural Trade Development and Assistance Act. However, important as such measures were, the provision of consumer goods could only have a favourable effect on under-developed countries if sufficient economic development had taken place.

38. The Swedish view that it would be better to develop the Expanded Programme of Technical Assistance than to launch a new fund was understandable but that programme was only a limited operation which would not satisfy the enormous demands for financial assistance. Both technical and financial assistance were necessary and the latter should not be curtailed by the limitations of the technical assistance programme. The expansion of the technical assistance programme and the establishment of a financial aid programme should be taken up simultaneously.

39. Capital investment in the backward countries would necessarily have to take different forms. First, capital from international public sources was needed for non-self-liquidating projects. Secondly, there were slow-yielding projects which in most cases could not be financed by governments. Thirdly, there were projects promising immediate gain for which external investors required governmental guarantees and fourthly there

was the old established method of financing commercially justified enterprises with internal or external funds or a combination of both.

40. The special fund would finance the first type of project, the international finance corporation the second and the third could already be financed by the International Bank for Reconstruction and Development. Certain representatives had said that the Bank had more funds at its disposal than it could possibly invest in the under-developed countries. This confirmed the view that a certain degree of basic development was a prerequisite for the Bank's activities, and therefore priority should be given to SUNFED and to the corporation in order that basic projects might be financed without expectation of prompt repayment.

41. External private capital, which would be necessary to finance the fourth type of project, would for the time being receive fourth priority. That was unfortunate but for well-known reasons the flow of private funds to countries in urgent need of development was tending to slow down rather than to accelerate.

42. The growing feeling of common responsibility towards the under-developed countries was shared by all strata of the Netherlands population. The Netherlands Parliament had only recently, during its annual debate on general policy, paid sympathetic attention to the problem before the Committee. Although the Netherlands had its own responsibilities the Government was fully prepared to play its part in multilateral action for economic development.

43. Congratulating Mr. Scheyven on his report, he said that it was disappointing to find that approval for the underlying principle of SUNFED had so rarely been accompanied by unconditional material support. The disappointing conclusion of the report, however, was no reason for delaying the establishment of the fund. If other countries like his own would express their willingness to contribute and if the fund were actually established then the flow of contributions might be stimulated.

44. The Netherlands delegation still felt that economic development should not be subordinated to progress in disarmament and that existing bilateral programmes of assistance were inadequate as compared with what SUNFED could do. The Netherlands Government was now of the opinion that measures of an order of magnitude surpassing what had so far been envisaged should be taken. It was therefore prepared, subject to constitutional ratification, to consider a still more substantial participation in multilateral action for financing economic development. It envisaged an order of magnitude three or four times as great than before and hoped that a sufficient number of countries would do likewise.

45. His Government had based its position on the assumption that the special fund should be established immediately. In that respect Mr. Scheyven's conclusion was too pessimistic. Thinking on the problem in other western countries might develop along the same lines as it had done in the Netherlands. Indeed, contributions might be retarded because the fund's machinery was still in an embryonic stage. The decision to establish the fund in principle should therefore be taken at once. The entire policy, working methods and framework of the fund should then be carefully studied. The views of the countries concerned should be taken into account. His delegation welcomed the suggestion made by the Yugoslav representative (290th meeting) that an *ad hoc* committee be appointed to draft a statute for the fund.

His delegation also supported the speakers who had emphasized the need for efficiency, the avoidance of bureaucracy, and co-ordination with existing institutions or programmes. Above all the social and cultural implications of economic development should not be forgotten.

46. His delegation supported Mr. Scheyven's suggestion regarding the desirability of informing world public opinion of the urgency of the problem.

47. Mr. AMADOR (Mexico) said that the problem of the economic development of under-developed countries was becoming increasingly urgent as the living conditions of hundreds of millions of human beings became steadily worse. As had been pointed out in the introduction to the report of the Economic and Social Council (A/2686), the gap between living standards in the under-developed countries and in the economically more advanced countries was widening; economic progress was being made more quickly in the latter while the demand for the raw materials exported by under-developed countries was decreasing, reducing the amount of capital available for their economic development. It was essential to raise standards of living in under-developed countries by means of economic development in order to bring stability to the world and remove the danger of war. As the Mexican Minister for Foreign Affairs had said at the tenth Inter-American Congress, there was a growing awareness that political action alone was not sufficient to prevent war; it was also necessary to remove the basic causes, poverty and ignorance. He had added that real peace and security would be attained only if the vast differences between standards of living in the two types of countries were eliminated.

48. He agreed with the United States representative's statement (291st meeting) that each country had to decide for itself what it should do for its economic development but pointed out that economic development in general, and in particular that of the under-developed countries, merited the special interest of all nations. International economic assistance should not serve as a vehicle for the distribution of gifts, but should be a means to eliminate the effects of economic disequilibrium due to external causes. The people of Mexico were working hard for their economic and social progress. The President of Mexico himself had stated in his annual report to the national Congress on 1 September 1954 that the Government's economic policy was to promote the country's agricultural and industrial development to ensure that the increase in production was greater than the increase in the population. To achieve that purpose, it would be necessary to stimulate private investment and to co-ordinate it with public investment, which was complementary to private investment.

49. The economic and social development plans of several countries were impeded, not only by domestic difficulties, but also by external difficulties such as the lack of foreign capital and sharp fluctuations in the prices which those countries received for the raw materials they exported.

50. Although, as the United States representative had said, abundant capital was available for international investment in economic development, many under-developed countries were unable to obtain it in useful quantities. His delegation agreed that existing international financing institutions should be strengthened and permitted to make loans on more flexible terms, but was anxious that no obstacles be placed in the way of setting up new institutions to increase the flow of public

and private capital to under-developed countries. Mexico's relations with the International Bank for Reconstruction and Development and the International Monetary Fund had been mutually satisfactory. His delegation agreed with the delegations of other under-developed countries that the proposed Special United Nations Fund for Economic Development should be set up without waiting for a lessening of international tension that would permit a reduction of expenditure on armaments. Even if it were eventually decided that the fund could not be set up immediately, the proposed international finance corporation should be established. Such a corporation would be able to finance projects which the Bank could not finance because of constitutional limitations.

51. His delegation welcomed the efforts to make the technical assistance programme more effective and flexible. Technical assistance programmes should be co-ordinated. The volume of technical assistance was not keeping pace with the economic development of under-developed countries and should be increased.

52. His country was proud of its record of land reform. As the President of Mexico had said in his address to the national Congress on 1 September 1954, land reform did not imply a mere redistribution of property; it was a new economic and legal form which had restored to rural communities the land of which they had been dispossessed; it had introduced new methods of cultivation and had liberated the peasant and given him a new dignity.

53. Mr. EL-TANAMLI (Egypt) expressed his appreciation for Mr. Raymond Scheyven's report and for the concern in the problem of the economic development of under-developed countries which he had shown.

54. He pointed out to those who had questioned the division of the countries of the world into under-developed countries on the one hand and economically more advanced countries on the other, that that distinction had been contained in the Bretton Woods Agreements and the Havana Charter for an International Trade Organization, in addition to several United Nations resolutions. Although there were countries in many different stages of development, the problems of the under-developed countries as a whole were distinct from those of the more advanced countries whose main economic problem was not development but full employment. He also pointed out that the term "under-developed countries" should not be taken to include under-developed regions which, by virtue of their political status, came within the economic system of an economically more advanced country upon which they were dependent.

55. The economic development of under-developed countries depended primarily on the efforts of those countries themselves, and their Governments bore the main responsibility for their economic development. The Governments of the under-developed countries were taking that responsibility seriously, but that did not mean that, as far as the domestic situation was concerned, the picture was perfect; it was necessary to overcome enormous obstacles such as the dearth of financial resources. National efforts to promote economic development were affected by the world economic and political situation, particularly by such events as fluctuations in world raw material prices. Even in 1953, a year of comparative stability for the world as a whole, the economic situation of the under-developed countries had not developed as favourably as had that of the rest of the world. They had achieved some measure of economic stability only at the price of slowing down their

rate of development, and the difference between standards of living in the under-developed countries and those in other countries had increased. The economic situation of the under-developed countries was so precarious that they were particularly sensitive to external developments.

56. The remedy was to add to the sources from which the under-developed countries obtained capital for their economic development. The principal source was foreign trade, but certain economically advanced countries had been restricting imports of raw materials from under-developed countries and there were restrictive trade practices which resulted in making it impossible for the under-developed countries to dispose of their raw materials or to purchase capital goods under conditions of free competition.

57. The rate of domestic capital formation was inadequate to finance the economic development of the under-developed countries. In most of the economically more advanced countries savings amounted to at least ten per cent of the national income, but in the under-developed countries they amounted to less than five per cent, and in many of them the increase in capital formation was less than the increase in population.

58. That showed the need to finance economic development internationally. At present the International Bank for Reconstruction and Development was the cornerstone of the international financing system. It had rendered valuable assistance in spite of its restricted resources and of its constitutional limitations. It would become a more useful instrument for economic development if, on the one hand, the Western European countries would place the eighteen per cent portion of their capital subscription at its disposal and if, on the other hand, it were enabled to make more generous loans on more flexible conditions. The scope of the Bank's activities was steadily increasing, but it could never supply more than a fraction of the capital needed by the under-developed countries.

59. The United States Import-Export Bank played an important role in economic development, but could grant only tied loans.

60. In the past the economic development of under-developed countries had been financed mainly by private capital. But private capital no longer supplied the driving force for economic development. Moreover its distribution was becoming more and more unbalanced. The United States of America had become the main supplier of private capital for international investment in economic development. Of the private capital which the people of the United States of America had invested abroad by way of direct investments, 38 per cent had been invested in Latin America, 28 per cent in Canada and 17 per cent in Western Europe, while only small amounts had been invested in Africa, the Middle East and Asia. American businessmen were not in sufficiently close contact with the markets in some of the under-developed countries, and political factors had prevented really free relations between the United States capital market and certain under-developed countries. The abolition of the privileges which foreign investors used to enjoy in certain under-developed countries had created a new climate. On the other hand, the national movements in those countries were accompanied by a growing realization that in order to ensure satisfactory economic development, foreign investors should be allowed to draw a reasonable profit from the country in return for supplying it with capital. Economic planning in some under-developed countries lim-

ited foreign investors' freedom of action. However, the restrictions were not unduly severe as the foreign investor, for example in Egypt, could repatriate his original investment and was exempt from taxation for seven years.

61. The main difficulty of financing economic development with private capital from abroad lay in the fact that the flow of such capital was adequate. The Economic and Social Council and the General Assembly had recommended measures to promote its flow, such as the removal of the inequities due to double taxation. His delegation would like to suggest that the General Assembly also recommend that foreign investors reinvest all or part of their profits in the country where their money was invested and that capital-exporting countries help the importing country to service investments.

62. There were many who believed that the proposed international finance corporation would fill a gap in the present system of international financing; his delegation considered that the experiment should be made.

63. Since private capital was inadequate to finance the economic development of under-developed countries, new methods of international public financing should be put into operation, particularly in order to finance non-self-liquidating projects to provide a firm basis for economic development. His delegation was therefore strongly in favour of the establishment of the proposed Special United Nations Fund for Economic Development. The establishment of that fund would make it possible to expand United Nations technical assistance activities, thus increasing the prestige of the United Nations. He had not been convinced by any of the arguments of those opposed to the immediate establishment of the fund. The most noteworthy argument was the Swedish representative's view (290th meeting) that the plan for the proposed fund be combined with the Expanded Programme of Technical Assistance; however, the problem was not an administrative one; it was a matter of finance.

64. It appeared that some Members were not ready to contribute to the proposed fund. The League of Nations had failed to provide financial assistance when it was needed, and had lost prestige in consequence. Egypt, which was conscious of its responsibilities towards the United Nations, was prepared to contribute

to the fund and to increase its contribution to the Expanded Programme of Technical Assistance.

65. Mr. O'NAGHTEN (Cuba) wished to correct two apparent misunderstandings in Mr. Scheyven's statement. Firstly, the Cuban Government had stated that the figure of \$250 million might be sufficient to start the special fund but had voiced the need for a subsequent increase of that minimum figure to an adequate level. Secondly, his Government did not favour the establishment of the international finance corporation before that of the special fund but thought that both should be given equal priority.

66. Mr. SCHEYVEN (Special Rapporteur) apologized to the Cuban representative if he had misrepresented his Government's point of view. As regards the Cuban representative's second point, he had merely stated his personal view that SUNFED should first finance the economic and social infrastructure of a country by means of grants and long-term low-interest loans and that the Finance Corporation should finance certain projects.

67. Mr. STANOVIK (Yugoslavia) said that in his statement (294th meeting) the Cuban representative had incorrectly interpreted the attitude of the Yugoslav delegation concerning the question of priority as between SUNFED and the international finance corporation. At the 290th meeting his delegation had expressed the opinion that there could be no question of priority regarding the establishment of those two agencies, but considered that the establishment of SUNFED constituted a prerequisite not only for the success of the international finance corporation but also for the success of other financial organs at the international level already in existence.

68. Mr. O'NAGHTEN (Cuba) apologized to the Yugoslav representative for having misinterpreted the words "a prerequisite . . . for the success" in the Yugoslav statement as implying the establishment of a priority as between the two agencies in question. He was glad that it had been made clear that Yugoslavia did not believe it to be possible to establish any order of priority, and that the Yugoslav representative had merely wished to point out that the special fund might facilitate and promote the work to be undertaken by the international finance corporation.

The meeting rose at 6.25 p.m.