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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

Economic development of under-developed countries: (a) Financing of economic development of under-developed countries: report of the Economic and Social Council (A/C.2/L.154 and Corr.1, A/C.2/L.157, A/C.2/L.159, A/C.2/L.161, A/C.2/L.162 and Corr.1, A/C.2/L.163 and A/C.2/L.164)

[Item 25 (a)]*

1. The CHAIRMAN recalled that at the end of the previous meeting the Committee had decided to divide the draft resolutions and amendments before it in regard to item 25 (a) of the agenda into three categories. He invited the Committee to take up the draft resolutions in the first category: financing of economic development of under-developed countries (A/C.2/L.154 and Corr.1, A/C.2/L.157, A/C.2/L.159, A/C.2/L.161 and A/C.2/L.163).

2. Mr. BURR (Chile), presenting his delegation's draft resolution (A/C.2/L.154 and Corr.1), observed that although it was true that his delegation laid particular emphasis on the financing of the economic development of under-developed countries, that did not mean that it underestimated the importance of the other aspects of economic development.

3. During the general debate, one member of the Committee, whilst approving the Chilean draft resolution in principle, had said that some delegations were not without some apprehension concerning the establishment of a special fund. However, it was absolutely necessary to try to solve the economic and social problems of the under-developed countries at a time when the situation of those countries was progressively deteriorating and international political tension increasing, and he thought that, on the contrary, the creation of a special fund would help in reaching a solution.

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

4. After referring to the circumstances in which the General Assembly had adopted resolution 520 A (VI) and the reasons why the Council had not been in a position to submit to the present session of the General Assembly a detailed plan for the establishment of the special fund, he went on to outline the considerations which had led the Chilean delegation to present the draft resolution now before the Committee. The under-developed countries urgently needed capital for their economic development. Total investment in those countries ought to be much higher than it was at present, but the International Bank did not possess sufficient resources for the purpose, while foreign private capital was not flowing into the countries concerned in appreciable amounts, and above all, was not being invested in non-self-liquidating projects. Lastly, domestic savings in those countries were not sufficient alone, to finance economic development.

5. The gap between the economic situation in the industrialized countries and that in the under-developed countries was steadily widening: the food situation, in particular, was not so good as it was ten years ago. In his opinion technical assistance contributed usefully to the economic development of the under-developed countries but the additional aid of financing measures was necessary. He was not at all convinced by the objections raised against the establishment of a special fund. He thought it was essential to provide for the financing of non-self-liquidating projects which would give the under-developed countries a solid economic structure and thereby render them attractive to foreign private capital. In conclusion, he was gratified to note that the Chilean resolution had received favourable comments from a number of delegations in the course of the general debate.

6. Mr. DIAS CARNEIRO (Brazil) presented his delegation's amendments (A/C.2/L.157) to the Chilean draft resolution. After recalling the tenor of Articles 55 and 56 of the Charter, he pointed out that the purpose

of the first Brazilian amendment was to stress the importance of those two Articles.

7. For years the representatives of under-developed countries had been trying to make it clear that a more rapid increase in production in their countries was essential before any appreciable improvement in the standard of living of the population and the development of world economy could be achieved. Even with the help of international capital, the financial resources of the under-developed countries were not at present sufficient to finance economic development at the rate desired. It required the constant mobilization of domestic savings, an increase in both public and private foreign investment, and in addition self-liquidating projects and others which, though not self-liquidating, were justified by their effect on production and national income. In some countries the financing of non-self-liquidating projects should, in certain circumstances, be provided for by a system of grants-in-aid financed out of foreign capital, while in others, low-interest, long-term loans were required to accelerate economic development.

8. The purpose of the second Brazilian amendment was to recall that the Economic and Social Council, in resolutions adopted at previous sessions, had recognized all those facts, as well as the need to increase production in the under-developed countries and, to that end, to establish a special fund to finance their economic development.

9. The purpose of the third Brazilian amendment was to provide a means of setting up the special fund within a year, at the latest. The General Assembly should ask the Council to submit to it not only a detailed plan but specific proposals for the statute of the fund. If it had the draft statutes before it at its eighth session, the General Assembly could then, if necessary, call a conference of representatives of the countries concerned to consider the necessary conditions for implementing the Council's proposals.

10. The Brazilian delegation thought that the Chilean and Cuban draft resolutions did not sufficiently stress the need to produce draft statutes. Without draft statutes there was a risk that the General Assembly might not set up the special fund before 1955 or even later. The Brazilian delegation had presented its third amendment for the purpose of avoiding that risk.

11. Mr. HALIQ (Saudi Arabia) presented the joint draft resolution submitted by Egypt, Iraq, Lebanon and Saudi Arabia (A/C.2/L.161).

12. During the general debate, the sponsors of the resolution had noted that most of the members of the Committee had based their arguments on the theory that the economic development of under-developed countries could only be financed by an adequate supply of foreign private capital. Some representatives considered that such capital could play a very useful role, but others did not share that view.

13. The sponsors of the joint draft resolution thought that it would help the General Assembly to receive some indications as to the part to be played by foreign private capital. It was true that it already had the reports of ECLA and ECAFE, but they only dealt with one aspect of the problem. The sponsors of the joint draft resolution therefore proposed to request the Secretary-General to include in an early future world economic report an analysis of the part which foreign private

capital could play in financing the economic development of under-developed countries.

14. Mr. DOMINGUEZ COMPANY (Cuba) recalled that during the general debate (201st meeting) his delegation had already stated its views on the financing of the economic development of under-developed countries, a question which had also been discussed at length in the General Assembly and the Economic and Social Council. As there apparently was unanimous agreement on the need to finance the economic development of under-developed countries, they ought now to pass on from the theoretical stage of resolutions adopted by the General Assembly and the Council to the stage of practical application of some of the measures advocated.

15. That was why the Cuban delegation had presented a draft resolution in document A/C.2/L.163; it believed that it was interpreting the desire of most delegations to advance along the road to practical achievements.

16. He first reviewed the course which the question of the financing of the economic development of under-developed countries had taken in the General Assembly. In resolution 400 (V), the General Assembly had first recognized that the acceleration of the economic development of under-developed countries required not only technical but also financial assistance from abroad. A group of experts appointed by the Secretary-General had also confirmed that opinion in a report entitled *Measures for the Economic Development of Under-developed Countries* (E/1986). Subsequently, the General Assembly, in resolution 520 A (VI), had requested the Economic and Social Council to submit to it a detailed plan for establishing a special fund for grants-in-aid and for low-interest, long-term loans to under-developed countries. At its fourteenth session, the Economic and Social Council, in resolution 416 A (XIV), had decided to establish a committee to prepare the detailed plan before 1 March 1953. In addition, the International Bank had presented to the Council a *Report on the proposal for an international finance corporation* (E/2215), which stated that the proposed corporation would serve to fill the existing gaps in the system of international financing of economic development. The Economic and Social Council had therefore requested the Bank in its resolution 416 C (XIV) to continue its examination of the proposal for an international finance corporation in order to enable foreign capital to contribute more fully to the economic development of the under-developed countries.

17. The work of the United Nations would not be complete if the Committee confined itself to adopting a draft resolution on the Expanded Programme of Technical Assistance, as it had done at the previous meeting. Its duty now was to set up international financing organs which could accelerate economic development by providing the necessary capital. He was well aware that all countries ought to be associated in this financing effort, but the under-developed countries, for lack of sufficient reserves, experienced great difficulty in finding the capital that their economic development required; it was the industrialized countries, therefore, which could provide the financial assistance necessary to the creation of conditions of stability and well-being as envisaged by the Charter.

18. After reading the operative part (paragraphs 10, 11 and 12) of his delegation's draft resolution (A/C.2/

L.163), he emphasized the importance of including in the agenda of the eighth session of the General Assembly the items concerning the establishment of the special fund and the international finance corporation with a view to ascertaining the desirability of convening a conference of the governments of the countries concerned for the purpose of considering practical methods for establishing the special fund and the corporation.

19. Finally, the international finance corporation ought to be a body associated with the Bank but possessing financial independence. Its task would be to supplement, not to replace, private investment. He reiterated the hope that the General Assembly would not hesitate to advance from the theoretical stage to that of action to expedite the economic development of under-developed countries.

20. Mr. CHAUVET (Haiti), noting that, according to the draft resolutions submitted by the delegations of Chile and Brazil, the records of the discussion at the General Assembly on the question of financing would be transmitted to the Committee of nine experts set up by resolution 416 A (XIV) of the Council, expressed the wish that the credit plan submitted by his own delegation at the 195th meeting should also be transmitted to that Committee, together with the text of paragraphs (a), (c) and (d) of General Assembly resolution 520 (VI).

21. The French representative had advocated the consideration of the whole question of the establishment of a special fund and of the proposal for an international finance corporation in the light of the report submitted by the International Bank for Reconstruction and Development. He would follow that procedure.

22. Turning to the report of the Bank, he pointed out in the first place that, according to the International Bank, industry would offer the greatest scope and would probably form the main sphere of activity of the proposed international finance corporation. He did not think it was a foregone conclusion that preference should be given to industrial questions when agriculture in the under-developed countries still offered vast opportunities.

23. He thought that no restriction should be placed on the sale by the corporation of its security holdings, since otherwise the portfolio might become static, whereas the corporation's aim would be to encourage as big a market for its securities as possible. The shares of prosperous undertakings could be sold for much more than their nominal value, and that would probably counter-balance to a large extent any losses the corporation might incur over the shares of less prosperous undertakings. He did not therefore share the pessimistic views expressed by the International Bank in its report. He thought the corporation might very well be able to establish a market for its securities.

24. According to the Bank's report, joint control of the policy followed would make it possible to avoid any conflict between the Bank's operations and those of the corporation. He was afraid that if joint control was established, the finance corporation might be reluctant to accept projects which did not offer all the guarantees generally required by a bank in such circumstances. In his opinion, it would be dangerous thus to unify the policy of the Bank and that of the finance corporation, for the two bodies would be essentially different in

nature and would have to apply different methods. Joint control should not therefore be envisaged.

25. The International Bank for Reconstruction and Development ought to concern itself principally with specific reconstruction and development projects, grant priority to undertakings likely to increase rapidly the productivity of the recipient countries, and provide the foreign exchange necessary for the execution of such projects. The International Bank granted loans to powerful private undertakings, to national finance institutions or to governments. When it granted a foreign exchange loan to a national finance institution, every precaution was taken, because the requests for financing had been studied beforehand by the institution concerned, by the government of the requesting country, and by the Bank itself. For that reason the Committee of nine ought to give consideration to that method of financing.

26. It would also be desirable for the governments of under-developed countries to set up non-governmental economic development commissions to assist in drawing up a general programme based on reports by the Bank's study missions or on investigations in which that agency had participated. An example of what he had in mind was the procedure followed by the Colombian Government on the occasion of the grant by the International Bank of a loan for the reconstruction of the country's road system.

27. He regretted that the International Bank could not participate in the setting up of joint-stock companies for it was thus deprived of the possibility of studying some very interesting projects.

28. He hoped the Committee of nine would take into account the remarks he had just made. His delegation hoped that, in future, the under-developed countries would be able to acquire the equipment, machinery, fertilizers and seed necessary for their developing industrial and agricultural undertakings. It also hoped that the application of modern methods in small and medium-sized undertakings would make it possible to specialize the labour force and increase productivity. Finally, it hoped that with the help of an international finance corporation, either one already in existence or one to be set up, farmers and industrialists in the under-developed countries would be able to get the low-interest, long-term loans necessary for the expansion of their undertakings.

29. Mr. ABDELRAZEK (Egypt) said that when he had spoken in the general debate on 29 October (197th meeting) he had explained in detail his delegation's views on the whole question of the financing of the economic development of the under-developed countries. There were two separate aspects to the question: measures to be taken to promote the investment of private capital and the setting up of a special fund to make grants-in-aid and low-interest, long-term loans.

30. The difficulties which discouraged private investors could be classified in four groups. The General Assembly had attempted to remove the first group, fiscal difficulties, and in particular the double taxation to which foreign investments were often liable, by requesting the Secretary-General and the Fiscal Commission to undertake a general study of the question. Furthermore, the setting up of an international finance corporation would make it possible to obviate the difficulties in the second group: those experienced by companies which wished to set up undertakings abroad but

could not get together sufficient capital. There remained, in the third place, the fact that some under-developed countries frowned on foreign investments, which they feared might be used as a pretext for intervention in their economic and political affairs. Finally, the arbitrary acts occasionally committed by under-developed countries and the obstacles they placed in the way of the repatriation of capital and profits added still further to the difficulties.

31. The Economic and Social Council had discussed those questions at length and, at its thirteenth session, in paragraphs 5 and 6 of resolution 368 B (XIII), had made specific recommendations with a view to promoting and stabilizing the flow of foreign private capital.

32. Those recommendations were not, however, entirely satisfactory. In the first place, they seemed to visualize only foreign undertakings set up without any participation by domestic private capital. But in paragraph 2 of resolution 294 B (XI) the Economic and Social Council had recognized the necessity of mobilizing the domestic financial resources of under-developed countries to the fullest possible degree either independently or in conjunction with any foreign funds which might be available for economic development.

33. Moreover, the Council, in resolution 368 B (XIII), had recommended that countries which wished to attract foreign private capital should give suitable assurances, either by treaty or by other means, with regard to the treatment of foreign capital investors, particularly in connexion with the transfer of profits and the withdrawal of capital. That recommendation was in contradiction with the principle of the self-generating character of economic development (resolution 294 B (XI), paragraph 3); such a result could only be achieved by the re-investment of profits in the countries in which they had been earned.

34. Moreover, although the Council in resolution 368 B (XIII) had recommended that in managing their undertakings, foreign capitalists should follow appropriate standards of conduct, it had remained silent with regard to the frequently excessive rates of interest they demanded.

35. His observations went to show that neither the United Nations specialized agencies nor the Economic and Social Council had made a complete examination of the question of foreign investments in the under-developed countries. It was the aim of the draft resolution which his delegation was submitting jointly with the delegations of Iraq, Lebanon and Saudi Arabia (A/C.2/L.161) to fill that gap by requesting the Secretary-General to include in an early future world economic report an analysis of the international flow of private capital including the volume and direction of that flow. The Secretary-General was further requested to explain any reasons for the continued inadequacy of such investment in under-developed countries so as to facilitate the Council's efforts in its formulation of constructive proposals.

36. With regard to the special fund which it was proposed to set up to finance non-self-liquidating projects in the under-developed countries, his delegation had said that it would give its full support to the draft resolution submitted by the Chilean delegation (A/C.2/L.154 and

Corr.1). It also considered the Brazilian amendments (A/C.2/L.157) acceptable, for they dealt with the form and not the substance of the Chilean proposal. His delegation did not, however, think the Council should be asked to prepare draft statutes for the special fund, instead of the detailed plan referred to in paragraphs 1 and 2 of General Assembly resolution 520 A (VI). Any draft statutes would only deal with the regulations governing the operation of the fund, but the provisions of resolution 520 A (VI) were much more general in scope. They must be taken into account, particularly since the Economic and Social Council, in resolution 416 A (XIV) had expressly provided that the Committee it had set up should be guided in its work by the provisions of the said General Assembly resolution 520 (VI).

37. Finally, there was no appreciable difference in the three draft resolutions before the Committee (A/C.2/L.154 and Corr.1, A/C.2/L.161 and A/C.2/L.163). His delegation, therefore, also supported the draft resolution submitted by the Cuban delegation (A/C.2/L.163), which had the merit of proposing a highly logical procedure for the examination of the question of financing of economic development of under-developed countries and of visualizing the possibility of subsequently holding a conference of the governments of the countries concerned.

38. Mrs. WRIGHT (Denmark) associated herself with the Egyptian representative's remarks on the similarity of the three draft resolutions and proposed that the Committee should request a working group to draw up a single draft resolution embodying the main ideas in the texts in question.

39. After an exchange of views between Sir Clifford NORTON (United Kingdom), Mr. JONKER (Netherlands), Mr. LUBIN (United States of America), Mr. FACIO (Costa Rica), Mr. CUSANO (Uruguay), Mr. JUNG (India), Mr. DURON (Honduras), Mr. MADRIGAL (Philippines), Mr. HALIQ (Saudi Arabia), Mr. FAROOQ (Pakistan), Mr. ENCINAS (Peru), Mr. TOUS (Ecuador), Mr. WOULBROUN (Belgium), Mr. MASSOUD-ANSARI (Iran), Mr. DIAS CARNEIRO (Brazil), Mr. CHAUVET (Haiti) and Mr. ABDELRAZEK (Egypt), the CHAIRMAN proposed that the working group should consist of the representatives of the following countries: Brazil, Chile, Costa Rica, Cuba, Denmark, Egypt, India, Netherlands, Pakistan, Saudi Arabia, United Kingdom of Great Britain and Northern Ireland, United States of America.

It was so decided.

40. Mr. GUTIERREZ (Colombia) and Mr. ABDELRAZEK (Egypt) wished it to be understood that the working group would be free to submit one or more draft resolutions on the three principal subjects the Committee had discussed: (i) the establishment of a special fund; (ii) the setting up of an international finance corporation; (iii) measures to promote the international flow of private capital.

41. The CHAIRMAN confirmed that the working group would have complete freedom of action in that respect.

The meeting rose at 12.30 p.m.