



CONTENTS

| | Page |
|--|------|
| Economic development of under-developed countries (<i>continued</i>): | |
| (a) Question of establishing a special fund for grants-in-aid and for low-interest long-term loans: report of the Economic and Social Council; | 113 |
| (b) Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council | |

Chairman: Mr. Leo MATES (Yugoslavia).

Economic development of under-developed countries (A/2430, A/2447 and Corr.1 (*continued*)):

- (a) **Question of establishing a special fund for grants-in-aid and for low-interest long-term loans: report of the Economic and Social Council (A/C.2/L.204, A/C.2/L.205, A/C.2/L.206, A/C.2/L.207);**
- (b) **Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council**

[Item 26]*

1. Mr. NOSEK (Czechoslovakia) said that the practical results of the many discussions, recommendations and resolutions on the financing of economic development, were highly unsatisfactory and the economic situation of the under-developed countries was still far from encouraging. His delegation had consistently maintained, in the General Assembly and in the Economic and Social Council, that the economic development of under-developed countries must be based on their industrialization and on the general development of their agriculture. Similarly, their economic development must be financed primarily by domestic capital; foreign investment, whether private or public, could play only a secondary part. His delegation's position regarding the proposed special fund and the international finance corporation was based on those considerations.

2. He did not intend to oppose the establishment of the two institutions but strongly doubted, in view of the record of the International Bank, whether they could really contribute to economic development. Although foreign capital could not be the main source for financing economic development, it could if necessary be used to supplement domestic capital resources provided it was not conditional on military, strategical or economic concessions and did not constitute interference in the domestic affairs of the recipient country.

3. Most of the foreign capital invested in the under-developed countries belonged to large monopolies which were not interested in the economic and social development of the countries of investment but in extracting maximum profits. Generally their profits from such investments were far higher than those they could obtain in their own countries. According to *The Times* of 4 August 1953, United States corporations had invested a total of \$1,070 million abroad in 1952 and in the same year the profits of United States corporations from operations outside the United States had been \$5,090 million. The *Economic Survey of Latin America for 1951-52* (E/CN.12/291/Rev.1) showed that net interest and dividend payments on United States investments in Latin America had been \$731 million in 1951 but that only \$157 million of new United States capital had been invested in the area in 1951. The obvious disproportion between the amount of investment and the excessive profits was only one aspect of the activities of the foreign monopolies. Another was the fact that foreign monopolies did not contribute by their investments to any improvement in the general economic situation of the under-developed countries. On the contrary, most of their capital was invested in mining and agriculture, strengthening the one-sided, monoproducer economic structure of the under-developed countries which was one of the reasons for their low economic standard, their dependence on the capitalist countries and their extreme sensitivity to any economic fluctuation.

4. When the foreign monopolies invested in capital goods or granted loans for the purchase of equipment, it was generally for transport facilities or dams necessary for the exploitation of mines and plantations.

5. Capitalist monopolies were unable to provide the less developed countries with the equipment necessary for essential industries as a substantial part of their production was concentrated on armaments. The "Preliminary Report on Trade between the ECAFE Region and Europe" (E/CN.11/TP/8) showed that United States deliveries of such equipment to the ECAFE area, with the exception of the Philippines, had shown a noticeable drop between 1949 and 1951. Moreover, most of the machinery exported was intended for the light industries.

6. The real objectives of the capitalist monopolies had been clearly set forth by Mr. Franz Schneider, Vice-Chairman of the Newmont Mining Corporation, who had stated that United States corporations might be interested in speculation abroad if there was hope of finding rich new sources of minerals and oil.

7. It could reasonably be argued that, but for the harmful activities of the foreign monopolies, the under-developed countries would long since have been able to develop their national economies and achieve economic progress by drawing on their own resources and by engaging in free trade on a basis of equality.

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

8. The statistics in the Secretary-General's report on the world economic situation did not give a true picture of the way in which foreign monopolies had exploited the under-developed countries by maintaining an obvious disproportion between the prices of raw materials and of manufactured goods. In 1948, when signs of a serious economic recession had begun to appear in certain capitalist countries, the prices of raw materials had been low. In the following years, as a result of the armaments race prices had risen steeply. The current drop in prices was presented in the report in a much more favourable light for the less developed countries than was justified. Again, in 1948 the prices of raw materials had been, and still were, the reflection of a system of unequal trade where those prices were constantly kept below their real value, while the prices of manufactured goods were higher than their true value. The system was intensified by the United States monopolies which, while exercising increasing pressure on the under-developed countries to buy their products, at the same time prevented them from obtaining the dollars necessary for that purpose. The monopolies were also using their influence to impose further customs restrictions and to close United States markets to foreign imports. That dual policy forced the less developed countries to obtain dollars by selling their goods at prices often far below those on the world market.

9. The monopolies also prevented the under-developed countries from selling their goods to countries ready to buy them at current market prices and from importing from those countries the goods which they needed. The United States policy of discrimination against trade with the Soviet Union and the Peoples' Democracies, a policy which was imposed on other capitalist countries, only worsened the economic plight of the under-developed countries. All those facts showed that General Assembly resolution 623 (VII) had not prevented an economic downtrend in the under-developed countries. Whenever the prices of certain categories of goods had been stabilized by international agreement stabilization had always been to the advantage of the United States monopolies. Even if the prices of raw materials were stabilized at a certain level, the under-developed countries would derive little benefit as most of the sources of raw materials were in the hands of foreign monopolies.

10. The representatives of under-developed countries had already pointed out that the conditions indispensable for real economic development were industrialization, general industrial and agricultural development, the removal of trade restrictions and free trade relations with every country. It should be stressed that industrialization meant primarily the establishment of basic industries, particularly mining and iron and steel, to enable the under-developed countries to equip their consumer goods industries from their own resources and thus to ensure a permanent rise in their standards of living.

11. The under-developed countries must also be able to develop free economic relations with all other countries, especially with countries like the Soviet Union and the Peoples' Democracies, which were prepared to supply them with the goods and equipment necessary for their industrialization on a basis of mutual advantage and respect for national sovereignty. Czechoslovakia had recently concluded bilateral agreements with Egypt, Indonesia, Syria, Iraq and Turkey

and was prepared to enter into others. As the President of the Council of Ministers of Czechoslovakia had stated on 15 September 1953, Czechoslovakia, because of its increasing productive capacity and the variety and quality of its goods, was ready to strengthen traditional economic relationships in accordance with the principle of the international division of labour and also desired to enter into new trade relations with other countries.

12. He regretted that the United States representative had, in a recent statement (259th meeting), disturbed the atmosphere of co-operation and objectivity which had prevailed in the Committee by indulging in slander and by asserting that the Soviet Union had subjugated Czechoslovakia. In 1948 the Czechoslovak people had had to defend itself against an anti-revolutionary *putsch* instigated by certain United States circles. Following the Mutual Security Act of 10 October 1951, Czechoslovakia had been obliged to be on its guard against spies, terrorists and assassins sent by the United States. Thanks to the assistance of the Soviet Union, Czechoslovakia had been contributing constructively to the maintenance of world peace, whereas the United States had done its utmost to divert the Czechoslovak people from the path of progress.

13. The United States draft resolution (A/C.2/L.204) used vague wording to postpone indefinitely economic assistance to the under-developed countries, by making such assistance conditional on disarmament. The hypocrisy of the draft resolution was obvious, particularly since United States leading circles were increasing the armaments drive every year and had prevented the adoption in the United Nations of USSR proposals for an immediate reduction in armaments and armed forces, for the prohibition of atomic weapons and war propaganda and for the conclusion of a peace pact among the five great Powers.

14. Mr. DE ALMEIDA (Brazil) said that the need for a solution of the problem of international co-operation for the financing of economic development had increased in recent years because of the growing gap between the standards of living, income levels and productive power of the developed and the under-developed countries. Despite the considerable results achieved in some under-developed regions, unassisted by appreciable foreign financing, that gap was likely to widen unless a major effort of international co-operation were made to supplement the efforts of the under-developed countries.

15. The shortage of internal savings in under-developed countries was the more serious as the demand for a higher standard of living tended to create obstacles to a greater investment effort. The inflationary pressure in the majority of under-developed countries reflected the combined influence of an increasing demand for higher consumption standards and rapid population growth; inflation was to some extent a defence mechanism in the sense that through forced savings the under-developed countries sought to maintain a minimum investment rate. If they were not able to count on the supplementary help of external savings, the capacity of under-developed countries to resist inflationary pressures would remain limited unless they were prepared to sacrifice the rate of development or maintain very low levels of consumption by undemocratic measures.

16. The under-developed countries also suffered from instability, due to their dependence on foreign markets for primary products. Their general prosperity was greatly affected by fluctuations in their terms of trade, and price instability created a psychological climate favourable to speculation. Although the under-developed countries could still do much by themselves, and were already making great efforts to accelerate the rate of capital formation, the need for international co-operation was obvious and pressing from whatever angle the problem of economic development was viewed—prices and markets, terms of trade, technical assistance or supply of capital.

17. Foreign savings, despite their relatively small share in total investment, might increase the productivity of national capital by furnishing the crucial marginal resources needed to import and utilize special types of equipment and by providing managerial experience and technical skills.

18. The failure to launch a major effort to finance economic development comparable to the technical assistance programmes was partly due to certain misconceptions. The first was the idea that efforts for economic development should be based on the principles of universality of contributions and proportionality of effort. Those principles were undeniably attractive but assistance to under-developed countries was bound to be reduced to a very low level if the contributions of developed countries were conditional on the financial participation of under-developed countries. A formula relating contributions to national income or output would not lead to equitable distribution of effort as between developed and under-developed countries. The application of those principles was responsible for the very limited scale of the Expanded Programme of Technical Assistance.

19. A second misconception was that international co-operation for economic development should be made conditional upon disarmament programmes; as the Netherlands representative had pointed out (262nd meeting), the promotion of economic development should be regarded as a contribution to and not a result of disarmament. To the extent that they retarded a major effort to assist economic development, the armament expenditures of the developed countries would result in an appearance, rather than the substance, of security. The question was viewed differently by the developed and the under-developed countries: for the former, external aggression was the only serious danger so that armament appeared the best road to security whereas, for under-developed countries, internal unrest was almost as dangerous and they felt that security could best be attained by development. There was no theoretical justification for linking SUNFED to disarmament programmes but the under-developed countries were faced with the fact that the major potential contributor countries were unwilling, at the present time, to undertake a major programme for the financing of economic development without first achieving savings through disarmament. The dilatory attitude of the developed countries would not help the cause of international co-operation. The outlook would be more encouraging if the developed countries had agreed to set a time-limit during which SUNFED would be held in abeyance while efforts were made to reduce armaments on the understanding that, if by the end of the period no progress had been made, the problem of financing economic development

could be reconsidered in its own right. Alternatively SUNFED might be established with its operations restricted for the duration of the armament race to the experimental level suggested in the report of the Committee of Experts. A third solution would be for the highly-developed countries to agree to the setting up of SUNFED but, pending the effective reduction of armaments, to make their contribution in the form of surplus products, such as foodstuffs, which if supplied to under-developed countries would free exchange resources for investment.

20. A third misconception was that existing methods and sources of financing were capable of reducing the gap between the income levels and productivity of the developed and the under-developed countries. However, compared to the grants for the reconstruction of industrialized areas and for armament and security programmes, in the post-war period the flow of capital to under-developed countries had been reduced to a mere trickle: the average yearly flow amounted to between 1 and one and a half thousand million dollars as compared with the 10 to 14 thousand million dollars estimated by the United Nations experts to be the minimum foreign investment required to produce a very modest rise in real income in those countries. Moreover, a substantial part of the capital flow consisted of reinvested profits.

21. The bulk of private investment had been directed to the extractive industries, a type of investment which was often conducive to unbalanced development, sometimes carried with it the threat of political pressures, and often involved concessions and privileges unacceptable to the public opinion of many under-developed countries.

22. Apart from colonial development programmes, the two major sources of assistance from public funds had been the International Bank for Reconstruction and Development and the United States Export-Import Bank, the latter of which appeared to be reducing its development operations. As to the International Bank, its leading operations were modest and it had excluded from its scope many important economic and social overhead investments thus reducing its influence. Because of its limited resources, the limited types of projects it could finance, and the cost of its financing, the Bank was clearly inadequate by itself to meet the needs of under-developed countries.

23. The great hopes that had been set on private capital had been disappointed. In the case of Latin America, for instance, only marginal assistance had been obtained from foreign capital and, in Brazil, it could be said that post-war economic development had been mainly self-financed. The past contribution of foreign investment had been great and its potentialities remained great but its role had been inconspicuous because of the unstable post-war political climate and the fact that the United States still offered ample opportunities for investment at home.

24. The frequently suggested solution that under-developed countries should seek to create a favourable investment climate for foreign capital ignored two facts. First, it was necessary to have a reasonable assurance of remittance of profit and confidence that, in the case of expropriation, adequate compensation would be paid in the currency desired by the investor. A favourable climate could thus be created only if the balance of payments problem were solved. The balance of payments position was weak because insufficient

foreign capital was received to finance the importation of investment goods. Secondly, it was often forgotten that development pre-supposed the creation of economic and social capital in the form of education, sanitation, transport and power. Those were fields to which private capital felt unattracted; the initial impulse had to be given by substantial investment of public funds. Conversely, the capital surplus countries might create a favourable climate for the exportation of capital, by waiving taxation on profits earned by investors in under-developed countries, or by the investment of public funds as a preparatory step to widen opportunities for profitable private investment.

25. In view of those considerations, his Government was in favour of the proposals to establish the special fund and the international finance corporation. The success of the corporation, about which he entertained no great illusions, would, even if modest, be a contribution to world economic progress, and would be enhanced by the simultaneous operation of an institution such as SUNFED. Long-term loans or grants-in-aid would be required to provide overhead capital and basic facilities in under-developed countries, where foreign investment of public funds would not be competitive with private investment since there were vast opportunities for the scarce capital available. Foreign assistance would not be a substitute for, but a necessary complement to, national efforts to stimulate domestic savings.

26. SUNFED should also be regarded as a complement to the Expanded Programme of Technical Assistance and to the activities of the International Bank. Technical assistance in under-developed countries generated immediate demands for capital investment, but the ability of a country to absorb loan capital depended on the amount that was being devoted simultaneously to the improvement of social capital.

27. The Committee of Experts was to be congratulated on its clear thinking in matters of financing development, although more attention might have been given to the question of criteria for the selection of projects. His view was that in selecting projects a balance should be struck between the contribution a project could make to the accelerated development of the recipient country and the contribution it could make to an expanding world economy. Among the fields of investment at present able to secure only limited international financing were surveys of unexplored natural resources, land reclamation, irrigation, pioneer transport for opening up new territories, food conservation and processing, agrarian reform, immigration in under-developed regions, sanitation, technical education, and development projects arising out of joint technical assistance schemes. In Brazil, there would be ample scope for a scheme of international financing of the kind envisaged in SUNFED.

28. He regretted that the major contributing countries were not prepared to support the scheme at present although it would be in their own interests. The draft resolution co-sponsored by his delegation was more a concession to realism than a stimulus to imagination: it aimed at perfecting the preparatory steps for the eventual realization of the plan of the Committee of Experts and at making the idea better known throughout the world.

29. Mr. KHOSROVANI (Iran) stated that the international economic picture was paradoxical: industrial production had almost doubled since 1937, while *per*

capita food production was less than pre-war; the volume of international trade for the same period had increased by one third, yet the disequilibrium in payments persisted; there was a danger of inflation in some countries, but the maintenance of existing levels of employment was considered precarious.

30. Even the improvement in the reserves of some European countries was not regarded as stable, as it was said to represent variations in inventory expenditure and the temporary curtailment of imports. While the industrialized countries had maintained broad stability in effective demand in 1949 and 1951-52, in the first case mainly by increasing public expenditure and in the second by relaxing credit policies, the effect of those measures on external payments and the terms of trade of under-developed countries had been considerable. In those countries fluctuations in the demand for exports were reflected in prices to a higher degree than in the industrialized countries. In short, small variations in demand in the advanced countries influenced the exchange receipts of the under-developed countries to such an extent that they upset their economic development programmes.

31. In the early post-war years two important factors had facilitated the reconversion of the economies of the industrialized countries from war to peace: the adoption of large-scale reconstruction programmes and the accumulation of purchasing power. At the moment the industrial capacity of the United States and of certain western European countries had reached an unprecedented level. Consumer demand had remained extremely high; consequently, when current political tension relaxed and defence programmes were curtailed, industrial capacity could not be converted to the production of consumer goods for the domestic market, which was already adequately supplied. Another new factor was the revitalized industries of Germany and Japan.

32. To maintain a high rate of employment the industrialized countries might look to the under-developed countries for markets and investment opportunities. If the absorption capacity of the latter countries was not increased and the level of consumption raised, the possibility of a serious depression or of waste in the disposal of surplus production could not be excluded. Hence the existing sources of capital for the rapid development of the under-developed countries must be expanded. Nor would the export of capital goods for economic development hamper current defence programmes; as it was clearly stated in the *World Economic Report 1951-52* surplus capital goods were available and the drop in such exports was due primarily to balance of payments difficulties.

33. At its preceding session the Assembly had discussed such problems as full employment, economic stability and the disequilibrium in international payments. Two important conclusions had emerged from the deliberations of the Committee and the studies before it: first, that those problems were closely inter-related and, secondly, that they could only be solved in the context of an expanding world economy.

34. Recent world economic developments had confirmed those conclusions and showed the need for a new balance in world economy in which the under-developed countries would receive a better share of the increase in production and international trade. As the income of under-developed countries grew they would be able to buy and sell more in the industrialized countries

which should adapt their industries to the shift in demand for their exports from consumer goods to capital goods. As the economy of certain of the industrialized countries particularly the United States was still expanding, it was appropriate that vigorous and immediate action should be taken to rectify the situation in the under-developed areas. The relative disregard for the needs of the under-developed countries would postpone the effective solution of other persistent international problems.

35. No one disputed the principle of self-help in the economic development of under-developed countries but, in fact, economic development had become the major objective of national policy in nearly all those countries. Their peoples had become so aroused over their backward condition that they were in a state of mental revolt against poverty and disease. In some countries, where *per capita* income was well below one hundred dollars *per annum*, productivity was so low that there was little margin for financing economic development. Thus in such countries it was impossible to accelerate economic development and at the same time maintain a level of consumption without causing great deprivation or acute political stress. Then there were the problems resulting from fluctuations in the demand for goods exported from under-developed countries to the industrialized countries; they could be remedied through expansion and diversification of production and trade. The rate of development in the under-developed countries was too slow to match the legitimate aspirations of their peoples. The necessary pace of development could not be attained without external aid.

36. The under-developed countries were not all at the same stage of development. The poorer under-developed countries needed international aid for basic development projects which could not be serviced through existing sources of foreign finance. Such projects were not necessarily self-liquidating, but contributed directly or indirectly to increased productivity. Private foreign investors were seldom interested in such projects and the International Bank was bound by its Articles of Agreement which excluded the needier countries. In practice, certain social obstacles could not be removed except in the context of general economic development. In order to make the process of adjustment less painful and to base it on solid democratic policies, external capital should from the start complement domestic resources for rapid economic development.

37. In recent years the nature of foreign private investment had changed substantially. Present-day investors, with a sense of social responsibility, preferred countries which had attained a sufficient standard of technical development. For that reason the flow of private foreign capital, except in so far as the oil and mining industries were concerned, would not reach its former level for some time to come, particularly in the neediest countries. The Bank was pursuing the same course as foreign private investors.

38. Private foreign investment and the International Bank could play an important part in economic development but, owing to such factors as inability to transfer earnings and capital freely from some under-developed countries and the opportunity of making reasonable profits at home, there was little hope of expanding private foreign investments in under-developed countries through normal existing channels.

39. Many experts from the highly developed countries had advocated the expansion of existing sources of international financing for the economic development of under-developed countries not on humanitarian grounds but on grounds of self-interest. It was obvious that as the purchasing power of under-developed areas increased they would import more from the advanced countries. Experience in recent years showed that the existing stabilizing elements in the highly industrialized countries were not adequate to counter the onset of any serious recession and that the financial operations of present international sources of capital were of no avail. Further, the responsibility of governments in the fields of employment and national income called for the establishment of a new international instrument so as to offset present fluctuations in international loans and investments.

40. The United States Government's pledge to devote a portion of the savings achieved through disarmament to an international fund was welcome but should not preclude other necessary measures. The strength of the free world depended on moral and economic strength as well as on military power. For both economic and political reasons it was essential to take prompt action to promote economic development.

41. Nothing would be lost if the Committee prepared itself for an improvement in the present international situation, particularly as economic readjustment was necessarily a long and gradual process. Since the publication of the SUNFED report there had been developments in the economies of the advanced countries which gave additional reason for the early adoption of measures to increase the purchasing power of the less developed countries. A report in the *New York Times* of 25 October showed that in the United States production had fallen steadily during 1953. The *World Economic Report 1951-52* described a similar situation in Europe.

42. His delegation therefore favoured the early establishment of the Special Fund but realized that it could not be set up without the support of the prospective major contributors. Although there was general agreement on the necessity for such a fund there were conflicting views over procedure and timing. His delegation was not unaware of the immense contributions of the United States towards world economic development. Indeed, the latest reports from Washington indicated that spending for foreign aid, in the year ended last June, totalled more than \$7,000 million. It was because of the existence of such capacity that representatives wondered whether the creation of a fund with a moderate initial figure of \$250 million was beyond the capacity of the Member States. There were suggestions for the proposed administration of the fund which could make it as successful as the Expanded Programme of Technical Assistance. Its operations could advance the peaceful aims of the free world as effectively as the sums at present expended for foreign aid but in a cheaper and more productive way.

43. Mr. COOPER (Liberia) associated himself with other delegations in praising the achievements of the Expanded Programme of Technical Assistance and said there was great scope for economic development in under-developed countries beyond the margin of technical assistance. The financing of such development now presented the under-developed countries with a formidable challenge.

44. The case for SUNFED had been clearly stated and its establishment would answer the needs of the under-developed countries for improvement in their economies and living standards. The pressure on the resources of under-developed countries was well known; their savings were low and their domestic economies not sufficiently advanced to promote their economic development without external financial aid. Fluctuation in raw material prices and the rapid increase in prices of manufactured goods were basic factors which should be taken into account.

45. His delegation fully supported the demand of the under-developed countries for a better share in the world's goods. The argument that peace could only be maintained by the stock piling of weapons of mass destruction was completely fallacious. Peace could not be based on misery, disease and hunger, and the aspirations of the under-developed countries to economic advancement could not be ignored.

46. Pending the establishment of SUNFED and the international finance corporation immediate efforts should be made to stabilize the prices of the raw materials exported by the under-developed countries. The representative of Pakistan had already described (265th meeting) the disastrous effect of the fall in cotton prices in his country; the fall in the price of natural rubber had had a similar effect in Liberia.

47. Liberia gave every encouragement to responsible foreign capital which received full protection under the law. With its help Liberia had reached high peaks of production in natural rubber and high-grade iron ore which were contributing to the defence of the free world. With the assistance of the United States, Liberia had launched long-range development programmes in such fields as engineering, transport, hydro-electric schemes, agriculture, health and education. Twenty per cent of the national revenue was devoted to those projects. A joint commission for economic development composed of Liberians and foreigners had been instituted to assist development programmes.

48. Finally Liberia fully supported the establishment of SUNFED and the international finance corporation but appealed to the leading capital exporting countries to reconsider their decision not to make any contribution at the present stage.

49. Mr. HSIA (China) said that there was general agreement on the principle of the economic development of under-developed countries and on the proposals to establish a special fund and an international finance corporation. However, as the countries which were expected to make substantial contributions to those institutions were not yet in a position to do so, the question remained what preparatory steps could be taken at the present stage.

50. His delegation wholeheartedly supported the principle of economic development of under-developed countries and gave its general approval to the two proposals under discussion. Expressing his appreciation of the business-like report of the Experts (E/2381), he said that it was necessary to have a clear picture of the nature and magnitude of the task.

51. In Chapter V of the report the Experts, after examining the two alternative methods which the fund might adopt in making the specific distribution of its funds among applicant countries, went on to say that "predetermined criteria of a quantitative nature would involve an arbitrary element because of the precarious

nature of the data upon which such criteria would be based". The meaning of the phrase "the precarious nature of data" was far from clear. The report continually spoke of the necessity for balanced geographical distribution of funds which implied that the fund would have in its possession data for such determination. His delegation, while believing that the fund should be given sufficient flexibility particularly in its early stages, considered that the more reliable and pertinent the data available the more likely the fund would be to make wise decisions in the distribution of its resources.

52. Any delay in establishing the fund could be used for gathering such data which were already available within the files of the secretariats of the United Nations and the specialized agencies and could be collated by a few competent members of the Secretariat for use by SUNFED when it came into existence. The data should refer, in particular, to the relative depth or intensity of poverty, the size or magnitude of some of the problems, and the nature of available resources and other circumstances which might affect the economic progress of certain countries or regions.

53. With regard to the method of disbursement, his delegation approved the principles set out in paragraphs 99, 100 and 101 of the report. However, careful thought should be given to the risk mentioned in paragraph 99 of having funds left unused for lack of suitable immediate applications from countries or regions for which funds were earmarked. An under-developed country did not apply for grants or loans either because of fear of outside interference in its internal affairs, or because its social, economic, legal and political institutions were not favourable.

54. The report showed that the Experts had been well aware of the possibility of interference. In attempting to strike a balance between the feelings of the recipient countries and the necessity of safeguarding the fund, the committee had proposed that assisted governments should give reasonable access to the staff of the fund for the purpose of inspecting assisted projects and for examination of records. Further clarification might remove any possible misunderstandings, and would increase the confidence of the requesting governments in the fund's good intentions.

55. The question of creating a favourable atmosphere for economic progress in some of the under-developed countries presented a still more difficult problem, as was stated in the report on *Measures for the Economic Development of Under-developed Countries* (E/1986)¹. It should be remembered that in some countries rapid economic progress meant painful readjustment and changes in social institutions.

56. While it was agreed that the aim of the fund was to fight poverty, raise standards of living and increase productivity in the under-developed countries, it was important to evolve criteria for judging the progress of the fund over a given period. Present criteria for judging economic progress in the various countries such as national income statistics were extremely confusing. For example, *per capita* income in China in 1946 had been \$23 as compared with \$1,269 in the United States, but the minimum standard required varied considerably from country to country. Unless some commonly accepted means of measuring economic progress were found, people would dispute whether the

¹ United Nations Publications, Sales No.: 1951.II.B.2.

Special Fund had achieved the economic progress that was expected of it.

57. His delegation considered that the international finance corporation had a better chance of being established in the near future since the initial capital required for it was only about half that required for SUNFED and its capital would be advanced in a lump sum and not in annual contributions. Moreover, the corporation being intended as a commercial undertaking could draw its capital from sources other than governments, such as the International Bank.

58. In its report on the subject, the International Bank had taken the view that it would be inappropriate to use the Bank's resources as capital for the proposed corporation. The difficulties were both legal and economic; the former could easily be removed but there remained the fear that the Bank's credit standing would be jeopardized if it became a shareholder of the corporation. However, the successful experience of the Bank of England in associating itself with other financial institutions in forming the Bankers' Industrial Development Company was sufficient to dispel that fear.

Indeed, the participation of the Bank would facilitate the establishment of the corporation on a practical basis.

59. Although the relative importance of private foreign capital had declined since the end of the Second World War, it was still essential for the economic development of under-developed countries. The Saudi Arabian representative was to be congratulated on his suggestion (259th meeting) that some kind of investment code should be formulated to expedite the international flow of private capital. It should be remembered, however, that the factors at present impeding the international flow of private capital differed somewhat from region to region and that the interest of debtors should be emphasized equally with those of creditors. The latter need was illustrated by the financial burdens imposed on China in respect of railway loans contracted during the early years of the century. The League of Nations had already tried to draw up standard loan contracts and work in that field might appropriately be continued by the United Nations.

The meeting rose at 5.55 p.m.