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Chairman: Mr. Leo MATES (Yugoslavia).

Later: Mr. Ernest CHAUVET (Haiti).

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);**
- (b) **Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council**

[Item 26]*

1. Mr. KRIVEN (Ukrainian Soviet Socialist Republic) said that in spite of the repeated efforts of the United Nations to find a solution to the problem of under-developed countries, the situation in those countries was basically unchanged. Although they constituted some of the richest sources of raw materials, foodstuffs and manpower, their industrial and agricultural systems were still backward. For example, many of the rice and wheat producing countries of Asia and the Far East had met with increasing difficulties in obtaining food supplies. Thus the *Economic Survey of Asia and the Far East, 1952*¹ showed that during the 1951-1952 period rice production in Asia had decreased by four and one half million tons.

2. Such a situation was the direct result of the colonial domination of foreign monopolies, which had reduced those countries to a state of serfdom. Foreign exploitation had given their economies a one-sided colonial character, and as the Indian representative had said in his address to the General Assembly,² their role was to supply the metropolitan countries with a cheap pool of manpower and raw materials. The policy of the United States and other capitalist countries was the purely negative one of pumping out profits from the under-developed countries and so maintaining the backward state of their national economies.

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

¹ United Nations Publication, Sales No.: 1952.II.F.2.

² See *Official Records of the General Assembly, Eighth Session, Plenary Meetings*, 448th meeting.

3. Furthermore, the discriminatory trade policy practised by the United States with its high tariff barriers and restrictive embargoes on trade with the Soviet Union and the Popular Democracies was highly deleterious to the development of under-developed countries. The United States policy of cutting the prices of raw materials imported from under-developed countries and maintaining or increasing the prices of its own manufactured goods had a similar effect.

4. Thus, the *World Economic Report 1951-52*³ showed that from the middle of 1951 the terms of trade had begun to change in favour of the advanced countries and to the detriment of the war material producing countries. In 1951 the purchasing power of the under-developed countries had dropped by 14 per cent below that of the previous year. During 1951 there had been a steady decline in exports from the more advanced countries to the under-developed countries. In 1952 raw material prices had continued to fall while that of finished goods had continued to rise. The *Economic Bulletin for Asia and the Far East* showed that exports of raw rubber from nine Far Eastern countries had decreased by 10,900 tons in 1952 while exports of jute from India had shrunk by 7,100 tons. The contraction of raw material prices and exports coupled with the rise in import prices had upset the balance of payments position of the under-developed countries and led to the diminution of their gold reserves.

5. The *World Economic Report 1951-52* showed, further, that the drop in exports from under-developed countries had been accompanied by an enormous increase in the volume of goods exported from the United States. Thus between 1950 and the first half of 1952 the physical volume of United States trade compared with that of the rest of the world had risen considerably. The *United Nations Monthly Bulletin of Statistics* for August 1953 showed that, while in 1951 a number of Far Eastern countries had had an active balance of payments amounting to \$137,900 million, in 1952 they had had a deficit of \$518,700 million as a result of the United States' one-sided trade policy. Similarly, the active balance of the Middle Eastern countries, which had been \$231,500 million in 1951 had been converted into a passive one of \$213,300 million in 1952.

6. To enable the vital industries of the under-developed countries to thrive, the restrictions imposed by the more powerful States should be removed and a trade policy initiated on the basis of equality and respect for national sovereignty. The elimination of the obstacles impeding normal trade between developed and under-developed countries would have a greater effect on the development of the latter countries than any form of international assistance. The statements of representatives, the latest World Economic Report and the recent Economic Surveys for Asia and the Far East and for Latin America all stressed the need for establishing normal trade relations in order to

³ United Nations Publications, Sales No.: 1953.II.C.2.

promote the economic development of under-developed countries.

7. The United Nations should give the most serious attention to the situation of under-developed countries and determine, in accordance with its political and moral obligations, the best means of providing real co-operation for the purpose of developing their national economies. The delegation of the Ukrainian SSR, in accordance with the Charter, would give every assistance to such efforts, which it regarded as one of the main tasks of the United Nations. As a contribution to world peace it would support any measure designed to assist under-developed countries and more especially to develop their national resources, both industrial and agricultural, with the aim of promoting the well-being of their peoples and securing their economic independence.

8. The measures for achieving those aims outlined by the Secretary-General in his memorandum (A/2447 and Corr.1) included the establishment of a special fund and an international finance corporation. Representatives of the less advanced countries had said that such a fund would provide an opportunity for practical co-operation in the improvement of the national well-being of under-developed countries. Attention had been drawn during the debate to the work of the International Bank for Reconstruction and Development. But the under-developed countries had expressed great dissatisfaction with the Bank's activities on the ground that the Bank was often inaccessible owing to the high rates of interest it charged. Moreover its aims were not those of the under-developed countries; it merely served the selfish interests of the large capitalist monopolies. His delegation, without wishing to put obstacles in the way of the establishment of a special fund or an international finance corporation, could not agree to the expansion of an international organization such as the Bank. To link the Special Fund in any way with the Bank would merely make it dependent on the interests of the capitalist monopolies.

9. The report of the Committee of Experts (E/2381) stated that the Special Fund should encourage the supply of private foreign capital to under-developed countries and the United States representative had stressed the role of private capital in the development of under-developed countries (259th meeting). But, the whole history of private capital investment showed that it led to interference in the domestic affairs of States. During the last few years the United States had considerably increased its supply of private capital to under-developed countries, and those countries had derived no benefit therefrom since the aim of American investors had been not to improve the well-being of the inhabitants but merely to exploit the resources of the under-developed countries and extract the maximum profit from them. Private investment could only be useful in supplementing international assistance if it paid due attention to the interests of the under-developed countries themselves and refrained from imposing political obligations on them.

10. Financial assistance to under-developed countries should aim at promoting their own domestic industrial and agricultural resources so as to strengthen all branches of the national economy and help those countries finally to achieve their national independence. The effect of the United States draft resolution (A/C.2/L.204), making the grant of further financial aid dependent on a decrease in armaments expenditure would be

to postpone such assistance to the Greek calends. The delegation of the Ukrainian SSR would therefore oppose it.

11. Mr. BERCKEMEYER (Peru) said that there were two basic factors in the current world economic situation; the first, which was purely political, was the attempt to reach agreement by peaceful means on major international issues, and the second, which was more of an economic nature, was the existence of disinflationary trends and a certain decline in general economic activity. Although inflation had not been arrested in many countries, there were signs, at least in the highly-developed countries, that supply and demand were in better balance. It was essential to maintain a high level of demand in the national and international markets without neglecting the requirements of economic development and increased production. The competent authorities in each country and, at the international level, the Economic and Social Council were responsible for supervising economic activity with a view to taking immediate action should any negative trends appear.

12. Peru was optimistic about future economic developments, believing that the unfortunate experience of the past would serve as a warning. It therefore welcomed Economic and Social Council resolution 482 A II (XVI) which reflected the views expressed by President Eisenhower in the spring of 1953 and by Mr. Dulles in the General Assembly. His delegation supported that policy of the United States.

13. On various occasions his delegation had stressed the need to supplement economic development plans with intensive international capital formation for the creation of new means of production in the under-developed countries. No technical assistance plan or relief project could be successful unless the flow of capital to those countries was facilitated in order to help them to carry out non-self-liquidating long-term economic projects. The Economic Commission for Latin America had emphasized the urgent need for such a scheme and had pointed out that the rate of economic advancement in many Latin-American countries was far from satisfactory. The Secretary-General's annual report also stated that one of the main economic problems continued to be the difference between the living standards of the more advanced and the under-developed countries.

14. The *Report on a Special United Nations Fund for Economic Development* constituted a very important step forward. Such a fund was essential in view of the special nature of economic development in countries of low productivity, but the General Assembly should not run the risk of adopting unrealistic resolutions. The Special Fund could not be established by a mere decision; subscribing countries must solemnly undertake to provide it with the necessary capital.

15. He was pleased to note that the contributions to the Special Fund were to be voluntary and that the fund would also accept non-governmental and private contributions. He also endorsed the proposal that non-member States should be allowed to participate, provided they accepted the regulations governing the fund. The suggestion that a portion of the savings achieved through internationally supervised world-wide disarmament should be devoted to an international fund was in keeping with the Charter and reflected a general feeling of the times. While realizing that vast sums were required to finance economic development, he thought

the proposed initial budget of \$250 million was realistic. He also welcomed the provision that financial assistance should be given only to governments and on their request, as well as the suggestion that recipient governments should undertake to mobilize their economic resources in accordance with the needs of their national development while checking any negative trend which might result from the supply of new capital provided by the fund.

16. On the other hand, the report did not suggest that the fund should be permanent, whereas the financing of economic development was, by definition, a long-term project. United Nations action in financing economic development would have little effect unless it was organized on a permanent basis. International experience had already shown, in the case of the Expanded Programme of Technical Assistance and UNICEF, that contributions made on an annual basis impeded those organizations' most important work. It could be assumed that the difficulties would be even greater in the case of economic development unless it was financed on a long-term basis by a permanent body.

17. In connexion with the suggestion that a portion of the savings achieved through disarmament should be devoted to financing economic development, he felt that thought should be given to other possibilities of accumulating capital. The difference between the advanced and the under-developed countries was such that articles and services regarded as primary necessities in the former were absolute luxuries in the latter. Again, while extravagance and waste occurred in the former, the essentials of life were sorely lacking in the latter.

18. The recommendation in the report on the organization of the fund was adequate for the time being, although it might be considered in closer co-operation with the Economic and Social Council. If circumstances later indicated that an independent body was preferable, the matter should be reconsidered. It was essential to avoid any bureaucratic expansion which might have a bad effect on world opinion.

19. His delegation had closely followed the studies made by the International Bank on the proposal for an international finance corporation. While reiterating his Government's support of that proposal in principle, he would not enlarge on the matter as the Economic and Social Council had requested the Bank to undertake further studies.

20. The re-election of Mr. Black as President would be a guarantee of the effective continuation of the Bank's activities. He welcomed the project for seminars to instruct nationals of the under-developed countries in methods of systematic and co-ordinated development of credit plans for submission to the Bank. The activities of the Economic Commission for Latin America fully justified the confidence and hopes placed in it.

21. In 1953, Peru had continued its economic policy of free enterprise, a balanced budget and incentives to greater productivity, as was shown by the high volume of investment which had amounted to 22 per cent of the gross national income in 1952. The gold and foreign currency reserves of the Central Bank had amounted, in May 1953, to 36 million dollars. In 1948 the national income had been 7,000 million *soles* as compared to approximately 16,000 million *soles* in 1952.

22. Peru's national aviation, steamship and housing projects were proceeding apace; its health services had

been reorganized. Encouraging progress had also been registered, *inter alia*, in mining, metallurgy and irrigation and in port, road and railway construction. Yet the Peruvian economy had suffered in recent months from a shortage of foreign currency, due partly to increased imports but mainly to the lower prices paid for its exports and to customs restrictions. Fortunately those disadvantages had been offset to some extent by increased production and a moderate budgetary policy.

23. Two policies were essential to Peruvian economic stability. The first was an investment policy ensuring that the legitimate interests of investors, whether private or not, and of Peru's economic development were respected, while the second was a policy of maintaining adequate prices for primary commodities and guaranteeing their unrestricted access to the markets of the highly developed countries. No aid or programme could properly ensure economic development without a system of free trade based on that latter policy.

Mr. Chauvet took the Chair.

24. Mr. USCOCOVICH (Ecuador), after stressing the importance of developing concrete plans for promoting the economic development of under-developed countries, said that the studies before the Committee showed that hunger and poverty still existed in many areas of the world and that nearly all countries were obliged to restrict their imports of many products indispensable to their progress and welfare. The Economic and Social Council's report for the period 2 August 1952 to 5 August 1953⁴ showed that although the economic development of under-developed countries depended primarily on their own exertions, it required not only technical but also financial assistance from abroad, chiefly from the more advanced countries.

25. The Council during its sixteenth session, had been informed by the United States representative that his Government—in the words of President Eisenhower—was ready to ask its people to devote a substantial part of the savings achieved by disarmament towards a fund for world reconstruction. Other members of the Council had agreed that the raising of living standards in the under-developed countries necessitated greater productivity and an increased utilization of resources left undeveloped through lack of capital.

26. The Executive Secretary of the Economic Commission for Latin America had stated that in Latin America shortage of capital was the principal factor limiting economic development. Recent progress in that part of the world had been very slow. The situation could only be remedied by a steady inflow of foreign capital, since the standard of living was not high enough to permit the accumulation of national savings on an adequate scale. The Cuban representative on the Economic and Social Council had stated⁵ that the Latin-American countries could only achieve an integrated development programme with the assistance of foreign financial aid. The foregoing statements showed that there was a pressing need to develop realistic plans for promoting the development of under-developed countries. That was the reason for the proposals for a special fund and an international finance corporation.

27. Finance was unquestionably the most difficult problem involved in any development programme. His

⁴ See *Official Records of the General Assembly, Eighth Session, Supplement No. 3.*

⁵ See *Official Records of the Economic and Social Council, Sixteenth Session, 718th meeting.*

delegation considered that the simultaneous elaboration of two projects would take too long having regard to the urgency of the problem. It might therefore be better for the time being to set up only one organ, perhaps the international finance corporation, and in so doing to implement the valuable suggestions put forward for the establishment of both organs. A special fund could always be set up at a later stage.

28. The Committee of Experts appointed by the Secretary-General had examined two ways in which contributions could be made to the proposed fund, firstly, by governments pledging each year a specified sum of money which would be utilized at the appropriate moment and, secondly, by the fund being constituted from capital subscriptions. The Committee appeared to support the first method.

29. But all the proposals suggested failed to afford more than a vague hope that something might be done. As everyone knew, very few countries in the world had a budget capable of providing contributions to a fund for economic development. Even if an international *détente* brought about a reduction in armaments, it might still be doubtful whether all governments would be ready to earmark a substantial part of the savings achieved thereby for an international fund for the realization of the ideal to which the President of the United States had given utterance. His delegation feared that a unanimous gesture of that sort was most unlikely. Even if international tensions were removed and the necessity for the defence expenditures abolished, all countries, even the richest, would still be faced with manifold urgent problems. The United States, for example, had to spend thousands of millions of dollars to solve its educational problems alone.

30. He felt therefore that the suggestions that had been advanced would be difficult to carry out and that another way should be sought of solving the problems of the under-developed countries. The most realistic method would be to attract national and international capital. As the President of the Economic and Social Council had stated,⁶ all that private capital asked was to play the part incumbent on it, provided it was given the necessary assurance as to security of investment and convertibility of proceeds—both of them eminently reasonable requirements.

31. His delegation had, accordingly, drawn up the following outline of an international finance corporation which would be more in keeping with present-day possibilities. The organization would have its head office in New York and its members would be any States willing to subscribe to its articles of agreement. All participating States would undertake to make a cash deposit in dollars or another convertible currency to form a guarantee fund. On applying for assistance, governments would draw up an investment plan to be considered by TAB and, approval having been granted, would be entitled to issue bonds to be offered to the public with the guarantee of the international finance corporation. The loans must not give room for interference in the domestic affairs of the assisted countries or be accompanied by any political conditions. They should be made only to governments, and at their request, in accordance with a prescribed order of priority. The contribution of each member country would be a percentage of its contribution to the International Bank, 40 per cent being payable on joining, and the balance being wholly or partly called up as and when required.

⁶ *Ibid.*, 751st meeting.

The rate of interest on loans would be fixed by agreement between the corporation and the government concerned. A general council, consisting of all the members, would elect an executive board of eleven members and a director-general. The contributions made by the various countries to the guarantee fund would not necessarily be shown in their regular budgets: they might be provided by existing credit organizations formed with state capital, which would later be entrusted with the distribution of assistance in accordance with the investment plan. If, as suggested, contributions took the form of a percentage of the contributions to the the International Bank and if all members of the Bank were to join the corporation, a mere 5 per cent from each State would provide a guarantee fund of \$450 million; but it would be over-optimistic to hope that all countries would join, and an amount of about \$250 million might reasonably be anticipated. That would suffice to implement an effective programme.

32. The investment plan thus proposed would greatly appeal to the private investor, whose misgivings, often due to ignorance of conditions abroad, would be allayed. It would, moreover, be in the interest of the governments themselves to comply faithfully with their obligations towards the corporation, and thus, by raising the standard of living in their countries, improve their political and social relations. Investors would be much encouraged if the governments concerned were to exempt from taxation any income derived from capital so invested, thus affording real evidence of international co-operation.

33. The administrative expenses of the corporation might be covered by two sources of income, which could even be used to form a reserve fund as well: a small percentage for placing securities on the market, and interest earned upon short-term deposits in United States banks. That would obviate the need for yearly subscriptions from member countries.

34. By assisting agriculture and small-scale industry, the corporation would be complementary to the International Bank, which would then be free to devote itself more fully to large-scale industry and public works. It would be an additional means of attaining the purposes of the United Nations.

35. The under-developed countries could, however, only become more prosperous if the economically powerful countries were ready to assist them. He addressed an urgent appeal for aid to Canada, France, the Netherlands, the United Kingdom and the United States. Neither donations nor subsidies were required, but assistance in developing resources, which were highly valuable in the fertile Latin-American countries, especially Ecuador. International co-operation for the relief of poverty, hunger, ignorance and insecurity would be a great contribution to progress and to the defence of democracy. He greatly hoped the Committee would succeed in formulating a definite programme for economic assistance to under-developed countries before the end of the current session.

36. Mr. SIERRA FRANCO (Guatemala) appreciated the efforts to improve the world economic situation described in the Economic and Social Council's report. Unfortunately, there had been little change since the previous year and the obstacles in the way of economic development were still the same. World production of foodstuffs, especially in under-developed countries, could not keep pace with the increase in population; nor could the increase in capital remain

in step with that in production. The main reason why certain countries could not develop more rapidly was that they lacked financial aid, and their efforts towards improvement were discouraged by protective measures. It was obvious, however, that the development of each country should proceed in accordance with its national interests and that international assistance should be brought into play as an auxiliary measure, to accelerate economic development.

37. A financial counterpart was required to technical assistance—which was giving satisfactory results—either in the form of an international fund or by encouraging private investment. Since private investment was concerned rather with a high rate of interest than with economic development, his delegation felt special interest in the establishment of an international fund for the benefit of any country applying for its assistance.

38. He described the measures taken by his Government in accordance with General Assembly resolutions 523 (VI) and 622 (VII) and of Economic and Social Council resolution 341 (XII) for the economic development of his country, particularly in the fields of agricultural credits and land reform, social security, industry and public works. A determined effort was being made to eliminate foreign monopolies in electric power stations, railways and port installations. He protested against the attacks being made, in support of those monopolies and against his country, by United States Press services and news agencies. Guatemala was, after all, simply applying the recommendations contained in General Assembly resolutions 625 (VII) and 626 (VII). Because of those measures, high government officials of a Member State had joined in the campaign against his country, which had been subjected to restrictive business practices, indicative of a reversion to interventionism—an attitude which had an adverse effect on economic development.

39. Describing the land reform in progress in Guatemala since 1952, he quoted figures to show that expropriation had been enforced impartially, no distinction having been made between nationals and aliens, and that all the owners concerned had received com-

pensation. Land reform had resulted in increased production, better distribution of the land, less unemployment, and higher living standards. The country had thus been developed without external financial aid, but the measures taken had provoked unfavourable reactions abroad. It was not opposed to foreign investment, but was not prepared to grant it special privileges incompatible with national sovereignty and dignity. Foreign capital must pay tribute in the country where its dividends originated.

40. The report of the Special Committee appointed under Economic and Social Council resolution 416 A (XIV) gave a tolerably complete description of the proposed Special Fund and deserved support. It was particularly desirable that the developed countries should make an effort to implement those recommendations in the near future. But he thought that greater caution should be exercised in setting up an international finance corporation; the instructions contained in General Assembly resolution 520 A (VI) should be carefully pondered, so as to decide whether the Special Fund might not be managed by an existing agency, such as the International Bank for Reconstruction and Development, if the latter's Articles of Agreement were revised.

41. In the absence of any realistic proposal as to the means of establishing the fund, the Committee would be wise not to discuss the matter in detail, but every effort should be made to proceed with the necessary studies. The Economic and Social Council should pay particular attention to the matter at its next session, and the fact that one of the most developed countries had signified its intention of not contributing should not give cause for despondency.

42. His delegation considered that the declaration proposed in Economic and Social Council resolution 482 A II (XVI) offered only a vague hope for the future, but a great step forward would be taken for the benefit of all mankind if the vast resources of the developed countries were used constructively for the common good, instead of producing means of destruction.

The meeting rose at 12.50 p.m.