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

*In the absence of the Chairman, Mr. Umari (Iraq), Vice-Chairman, took the Chair.*

**AGENDA ITEM 25**

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

**(b) Question of the establishment of an international finance corporation: report of the Economic and Social Council (A/C.2/L.249) (*concluded*)**

1. Mr. HOWARD (Canada) said that the sponsors of the joint draft resolution (A/C.2/L.249) had agreed to insert the words "of 11 November 1954" after the word "Administration" and to delete the word "consequent" in paragraph 2 of the operative part.
2. Mr. STRAUS (United States of America) said, in reply to questions raised at the 332nd meeting, that operative paragraph 3 of the joint draft resolution made it quite clear that in preparing the draft statutes of the international finance corporation, the International Bank for Reconstruction and Development would take into account the views expressed in the United Nations and that once the draft was ready, Governments would have every opportunity of submitting comments. It would be inappropriate to go into the details of the organization and operation of the corporation at the present stage. All that the joint draft resolution sought to do was to recommend steps which were feasible, practical and necessary at the present time.
3. Mr. AHMAD (Pakistan) paid tribute to the generosity of the United States Government's decision to support the international finance corporation and expressed the hope that the preparatory work would be done as expeditiously as possible, so that the corporation might begin operations without delay. Although his delegation agreed that the corporation's initial capital should consist solely of contributions from its

members, there was no reason why that capital should not subsequently be augmented from private sources, especially if the corporation was to invest in sound projects which offered good profits.

4. The corporation's methods of operation and the types of projects to be financed required careful study, and nothing in the joint draft resolution should be construed as restricting the Bank's terms of reference in that respect.

5. The CHAIRMAN put the joint draft resolution (A/C.2/L.249) to the vote.

*The draft resolution was adopted by 44 votes to none, with 5 abstentions.*

6. Mr. EL-TANAMLI (Egypt) explained that, in spite of his remarks at the 332nd meeting, he had voted in favour of the joint draft resolution because the United States representative had explained that the views of Governments would be fully recognized.

7. Mr. FISCHER (Union of South Africa) said that his favourable vote expressed approval of the steps recommended for the establishment of the international finance corporation and recognition of United States and United Kingdom generosity. Although the joint draft resolution was acceptable, his vote did not imply any commitment on the part of his Government to contribute to the corporation. His Government would be unable to take a final decision until the statutes of the international finance corporation had been drafted. It should be remembered that the corporation would merely constitute an additional source of investment capital. It could not be considered a substitute for existing sources of private capital, and capital-importing countries should not relax their efforts to create a favourable investment climate.

8. Mr. KAYALI (Syria) explained that he had voted in favour of the joint draft resolution but that his Government's final attitude would depend on the statutes of the corporation.

9. Mrs. WRIGHT (Denmark) explained that her favourable vote should be interpreted as an expression of the Danish Government's willingness to participate in negotiations about the international finance corporation as soon as possible and to ask Parliament for an appropriate contribution.

10. Mr. STEWART (New Zealand) said that his vote for the resolution did not represent a commitment by New Zealand to contribute to or participate in the corporation.

11. Mr. STANOVNIK (Yugoslavia) was glad that the views of Governments would be fully taken into account when the Bank drafted the corporation's statutes. The joint draft resolution was a step in the right direction. Yugoslavia's contribution and participation would depend on the corporation's statutes.

12. Mr. HALIQ (Saudi Arabia) said that he had abstained in the vote because the explanations offered by the United States representative had not removed his misgivings regarding the operative framework of the corporation. His Government would have a clearer view once the statutes of the corporation were drafted.

13. Mr. JONKER (Netherlands) explained that he had voted in favour of the joint draft resolution but reserved the position of his delegation concerning any limitations in the operation of the international finance corporation, as implied in the declaration referred to in operative paragraph 2.

#### AGENDA ITEM 66

#### Establishment of a world food reserve (A/2710 and Corr.1) (continued)

14. Mr. FISCHER (Union of South Africa) said that the gravity of the problems raised by the Costa Rican representative (328th meeting) was universally recognized. Much was being done both nationally and internationally to meet them. The important question of emergency famine relief had been thoroughly investigated by the Food and Agriculture Organization (FAO) and at the seventh session of the FAO Conference it had become apparent that it would be more practical to have an international fund in cash than an actual food reserve. However, in resolution No. 21 the FAO Conference had come to the realistic conclusion that it was impracticable to create an international famine food reserve fund in the absence of evidence that States would provide the necessary resources.<sup>1</sup>

15. The only way to combat famine was to steadily expand the food production or the foreign exchange earnings of countries affected or likely to be affected. In that respect heartening progress had been made. During the debate on land reform the Committee had heard of notable achievements made by countries such as India, Venezuela, Iraq and Costa Rica. Numerous plans to increase the food production of the African peoples were being carried out and in the Union of South Africa itself a Ministry of Nutrition had been established a few years previously and was doing much useful work. The United States Congress had made a particularly generous decision in authorizing the expenditure of \$300 million to meet famine emergencies in any country. That action in itself had constituted an immense famine food reserve. The quick and generous response with which the United States had always met appeals for help was universally acknowledged. It might well be asked, after discussion of other projects in which smaller sums of money were involved, whether it was realistic to believe that any international organization could expect contributions for a famine reserve which would even approach the \$300 million set aside by Congress.

16. Turning to action on the international plane, he reminded the Committee of the FAO representative's statement (329th meeting) that the prevention of any diminution of production and the stimulation of increased consumption was the main task of all the technical divisions of FAO. It would indeed be invidious if the United Nations were to set up another body to take

over what was the specific responsibility and perhaps the most important single function of FAO. Some of the other objectives which had been tentatively assigned to the food reserve were in fact, in slightly different language, repetitions of the preamble of the constitution of FAO.

17. Other international organizations were also active in the field. The United Nations had taken an interest in the matter in its recommendations on land reform. There were also the regional commissions and the Economic and Social Council. However, FAO was the competent international body especially created to deal with the very problem of increasing food production and improving the standards of consumption of countries threatened with famine.

18. It had been envisaged that, in the field of commercial and economic policy, the food reserve would act as a mechanism for regulating prices, disposing of agricultural surplus and ensuring that foodstuffs were produced in the right place. That would be a stiff task for any international organization. The experience of many countries had shown that it was extremely difficult to regulate agricultural prices without also regulating production. If prices were set too high, a large unsalable surplus resulted; if they were set too low, there were shortages and a black market. No delegation could contemplate with equanimity the establishment of an international organization to regulate agricultural production throughout the world.

19. If, however, as was to be hoped, the contemplated organization was not to regulate production, it would have to act as a broker, selling in times of scarcity and buying in times of plenty. In that more modest role it would still face the paradox that attempts to keep up prices in times of surplus often encouraged greater production and generated a greater surplus. Even for such a limited function a world food reserve would require substantial initial capital and enormous buffer stocks. It would incur heavy operating expenses and face great technical difficulties in the storage of perishable foodstuffs. It would also have to distinguish temporary fluctuations in supply and demand from long-term trends which could not be altered by its buffer stocks and which might indeed make them redundant and unsalable. If it were to have any appreciable effect on world prices its operations would have to be on a gigantic scale and the cyclical nature of agricultural production would further complicate its task.

20. It would be most unrealistic to contemplate such a scheme at present or for many years to come. Even if it were possible to muster the required financial and technical resources there was no guarantee that the project would be a success. Failure might be disastrous. Even in the countries which had the greatest experience in planned economies miscalculations occurred, particularly in food production.

21. The only practical and sensible course would be to continue the negotiation of individual commodity arrangements between producer and consumer countries as a means of stabilizing prices within reasonable limits and over a reasonable period of time. Even that involved many problems.

22. The Costa Rican proposal was prompted by highly commendable humanitarian motives and had served a useful purpose in reminding the Committee of certain

<sup>1</sup> See Food and Agriculture Organization of the United Nations, *Report of the Seventh Session of the Conference, 23 November-11 December 1953*, Rome, 1954.

stark economic and human realities. Nevertheless, it would be doing little justice to the valuable and constructive efforts which FAO was constantly making if the Committee or the United Nations were to act independently. In recognition of the Committee's own imitations and in fairness to FAO, the best course would be to bring the records of the discussion on agenda item 66 and the proposals made in the Committee to the attention of FAO for its information.

23. Mr. RENOUF (Australia) said that he did not agree with the South African representative that the General Assembly should take no action on the item under discussion apart from sending the Costa Rican memorandum submitting the item for inclusion in the agenda (A/2710) and the records of the discussion to FAO for its information. The world food situation had changed in recent years and despite careful planning by Governments, there was a large agricultural surplus in many countries, whereas in the immediate post-war years effective world demand had exceeded the supply. His Government believed that insufficient consideration had been given to the possibilities of disposing of such a surplus by means other than trade. Consequently, although it was not at present prepared to commit itself to support the establishment of a world food reserve, it hoped that the General Assembly would follow up the Costa Rican proposal. He would, however, suggest that the best way in which it could do so would be to refer the problem to the Economic and Social Council for appropriate action in consultation with FAO. If the Assembly did refer the matter to the Council, the Secretary-General would no doubt submit a memorandum on the subject. In drafting the memorandum the Secretary-General should obtain the advice of the FAO Secretariat and perhaps of the FAO Committee on Commodity Problems.

24. Mr. BANNIER (Netherlands) said that the inadequacy of food production and distribution was both a symptom and a cause of under-development. One of the most important factors in the economic instability prevailing in many under-developed countries was the excessive instability of the prices of many agricultural commodities.

25. At the FAO Conference and Council and in the Committee on Commodity Problems, the Netherlands delegation had consistently advocated international action to promote more efficient and better-distributed production, increased consumption, and the stabilization of agricultural commodity prices. In recent years the post-war food shortage had been replaced by a food surplus at least for part of the world. His Government had persistently advocated the adoption of appropriate measures to dispose of such a surplus without upsetting world and national markets.

26. He advised the Committee not to embark for the time being upon a full discussion of the Costa Rican representative's interesting suggestions. As the representatives of Costa Rica and FAO had pointed out, many attempts had been made since 1946, particularly by FAO, to solve the world's food problems. The fact that the efforts of FAO had not been entirely successful was due to the understandable inertia of Governments. Yet some progress had been made: at its forthcoming session the FAO Committee on Commodity Problems would consider proposals for general international measures to stabilize agricultural commodity

prices. In addition, the Commission on International Commodity Trade would soon start its studies on similar matters. It was imperative that those two bodies complement each other and avoid duplication.

27. A working group of its Committee on Commodity Problems had been set up by FAO to deal with various aspects of surplus disposal. At its 20th session in Rome, the FAO Council had decided, under resolution No. 2/20<sup>2</sup> to invite its members to express their adherence to certain principles governing the disposal of agricultural surplus.

28. In view of the considerable success achieved by FAO and its subsidiary bodies in such a brief space of time, he believed that multilateral action could and should be taken in seeking solutions for the major problems outlined in the Costa Rican memorandum. The General Assembly would be well advised to rely to the fullest possible extent on FAO in dealing with the food problems of mankind.

29. A world food reserve, like the World Food Board proposed by Lord (then Sir John) Boyd Orr at the second session of the FAO Conference in 1946, would have to be vested with far-reaching authority and with funds. Eight years ago, most Governments had opposed the establishment of such a board and most members of FAO had also rejected proposals for the establishment of an international commodity clearing house and an international emergency food reserve.

30. Governments would have to be willing to reconsider their positions if any headway was to be made. He suggested that FAO be requested to submit a detailed report on the subject, but it was doubtful whether it would be worth while to ask the Secretary-General to undertake a similar study, as he did not have experts on food and agriculture at his direct disposal. Certain aspects could be considered by the Commission on International Commodity Trade; most of the other aspects were specifically within the purview of FAO. It would be sufficient to ask the Secretary-General to transmit a request to FAO for a review of the subject, including the points raised by Costa Rica. The General Assembly could then take further action on the basis of that report.

31. Mr. CHAUVET (Haiti) felt that in discussing a world food reserve consideration should also be given to the problem of agricultural commodities for industrial consumption. It would be possible to constitute an international reserve to offset any temporary or seasonal shortage of foodstuffs or raw materials. Such a scheme would combine the United States system of subsidizing prices by governmental purchases and the system of international commodity arrangements. Minimum prices should be set to prevent any over-production of foodstuffs in certain countries.

32. The constitution of reserve stocks would be an additional justification for the existence of the international finance corporation. With the assistance of the corporation each country could finance stocks of its own commodities on the basis of budgetary appropriations, domestic loans or international loans like the State of Sao Paulo, Brazil, coffee loan. The corporation would be extremely helpful in such operations by lending to private enterprises. Thus production

<sup>2</sup> *Ibid.*, Report of the Council of FAO, Twentieth Session, 27 September-8 October 1954, Rome, 1954.

would be stimulated and insistence on certain standards would lead to an improvement in the quality of commodities. The liberalization of trade and imports would then contribute to the prosperity of the under-

developed countries, which could make special efforts to develop their economies by supplying foreign markets to the utmost of their ability.

The meeting rose at 4.45 p.m.