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CONTENTS

	Page
Economic development of under-developed countries (E/1986, E/2007 and Add.1 to 5, E/2024, E/2029 and Add.1, E/2047 and Add.1, E/2061):	
(a) Methods of financing economic development;	
(b) Report of the group of experts appointed by the Secretary-General under Council resolution 290 (XI), paragraph 22, on measures for the economic development of under-developed countries . . . . .	315
Report of the Economic, Employment and Development Commission (sixth session) (E/2006) (concluded) . . . . .	
Economic development of under-developed countries (E/2024 and E/2044):	
(d) Volume and distribution of national income in under-developed countries . . . . .	320

*President: Mr. Hernán SANTA CRUZ (Chile).*

*Present:* Representatives of the following countries:

Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Representatives of the following specialized agencies:

International Labour Organisation, International Bank for Reconstruction and Development, International Monetary Fund.

**Economic development of under-developed countries (E/1986, E/2007 and Add.1 to 5, E/2024, E/2029 and Add.1, E/2047 and Add.1, E/2061):**

- (a) Methods of financing economic development;**
- (b) Report of the group of experts appointed by the Secretary-General under Council resolution 290 (XI), paragraph 22, on measures for the economic development of under-developed countries**

**Report of the Economic, Employment and Development Commission (sixth session) (E/2006) (concluded)**

1. The PRESIDENT recalled that the Council had decided at the 511th meeting to defer the final vote on the draft resolution on the methods of financing the economic development of under-developed countries until the present meeting. It had also been agreed that, before the draft resolution was put to the vote in its final form, a decision on the order of the paragraphs should be taken. No written requests for changes in the form of the draft resolution had been submitted, but in

reproducing the amended text (E/L.221), the Secretariat, in consultation with delegations, had made certain changes which appeared necessary to ensure a more logical form. The first three paragraphs, which made up the preamble and introduction, had been retained in the order in which they had been adopted. So had paragraphs 4 and 5. Certain delegations had suggested that the second part of paragraph 6 (c), beginning with the words "provided that", should form a separate subparagraph. A minor grammatical point had arisen with regard to paragraph 7, the opening word of which should be "*Reaffirms*" instead of "*Reaffirming*". The heading of section (C) included in its revised form the headings used in section (C) and (D) of the original text (E/2061). Paragraphs 9, 10 and 11 had originally been numbered 11, 12 and 13; their order of sequence had been changed so that they should precede the operative paragraphs. Paragraphs 12, 13 and 14 had been included in the form in which they had been adopted at the 511th meeting. Paragraph 13 included all references to the manner in which foreign capital might contribute in greater measure to the economic development of under-developed countries and incorporated the substance of recommendation 16 of the experts' report (E/1986) *Measures for the Economic Development of Under-developed Countries*. Paragraph 14 had been divided into two subparagraphs: subparagraph (a) referring to such action as might be taken by the International Bank for Reconstruction and Development, and subparagraph (b) referring to the proposed international development authority. Finally, paragraph 15 included the Philippines proposal which had been adopted at the 511th meeting.

2. Mr. KRISHNAMACHARI (India) proposed that the second part of paragraph 6 (c), beginning with the words "provided that the provisions of sub-para-

graphs (b) and (c)", should form a separate sub-paragraph, since it referred not only to sub-paragraph (c), but also to sub-paragraph (b).

3. Mr. LUBIN (United States of America) suggested that the proviso contained in sub-paragraph (c) of paragraph 6 should be inserted after the opening sentence of the paragraph reading: "Recommends that countries seeking to attract private foreign capital,".

4. Mr. KRISHNAMACHARI (India) pointed out that sub-paragraphs (a), (b) and (c) referred to different aspects of the problem. Consequently, unless it were specified that the proviso was limited to sub-paragraphs (b) and (c), confusion might arise.

5. Mr. ARKADIEV (Union of Soviet Socialist Republics) supported the Indian representative's proposal on sub-paragraph (c).

*The Indian representative's proposal was adopted.*

6. Mr. KRISHNAMACHARI (India) also proposed that the words "and any other questions which may arise;" in sub-paragraph (b) (iv) of paragraph 6 should be made a separate clause reading: "and in respect of any other questions which may arise;", unnumbered but printed on a separate line.

*It was so agreed.*

7. The PRESIDENT ruled the debate closed and said that he would next put the draft resolution (E/L.221) as amended to the vote.

8. Mr. KATZ-SUCHY (Poland) supported by Mr. ORTÍZ MENA (Mexico), Mr. SCHNAKE VERGARA (Chile) and Mr. ARKADIEV (Union of Soviet Socialist Republics) requested that a separate vote be taken on the following provisions: paragraph 4; the five sub-paragraphs of paragraph 5; the four sub-paragraphs of paragraph 6, and the proviso now following sub-paragraph (c); paragraph 14 (b); and paragraph 15.

*Paragraph 4 was adopted by 15 votes to none, with 3 abstentions.*

*Paragraph 5 (a) was adopted by 15 votes to none, with 3 abstentions.*

*Paragraph 5 (b) was adopted by 15 votes to 3.*

*Paragraph 3 (c) was adopted by 14 votes to none, with 4 abstentions.*

*Paragraph 5 (d) was adopted by 14 votes to none, with 4 abstentions.*

*Paragraph 5 (e) was adopted by 15 votes to none, with 3 abstentions.*

*Paragraph 6 (a) was adopted by 14 votes to 3, with 1 abstention.*

*Paragraph 6 (b) was adopted as amended by 14 votes to 3, with 1 abstention.*

*Paragraph 6 (c) was adopted as amended by 15 votes to 3.*

*The proviso following paragraph 6 (c) was adopted unanimously.*

*Paragraph 6 (d) was adopted by 15 votes to 3.*

*Paragraph 14 (b) was adopted by 13 votes to none, with 5 abstentions.*

*Paragraph 15 was adopted unanimously.*

*The resolution as a whole as amended was adopted by 14 votes to none, with 4 abstentions.*

9. Mr. KATZ-SUCHY (Poland) stated that his delegation had abstained from voting on the resolution because it was contrary to the principles which the Council had adopted at earlier sessions.

10. His Government fully supported programmes of technical assistance provided they corresponded to the true interests of the countries concerned and were such as to lead to improved standards of living and general well-being. The economic development of under-developed countries must be a long-range programme adjusted to those countries' needs and based on the central authority of their governments. The under-developed countries must be able to make full use of their national resources. If their economies were developed in accordance with their national needs, the amount of external financial assistance needed would be greatly reduced. If the flight of capital from those countries in the form of payment for investment, dividends and insurance could be arrested, a re-distribution of national income would occur and would lead to new possibilities of development. His Government was not opposed to the principle of foreign financing, provided that such financing was supplementary and provided that it was offered without political conditions and did not represent a drive for profits and dividends. Those had been the principles underlying the previous resolutions of the Council on the subject.

11. Unfortunately, the resolution now adopted was retrograde in character since it sought first and foremost to protect the interests of the capital exporting countries instead of those that stood in need of development. It included conditions which, he would submit, were wholly unsuited to a resolution framed and adopted under the ægis of the United Nations. Its origins were well known. Not only had it been discussed at great length in the Council, but it had been the subject of much negotiation and pressure, aimed at ensuring that it should contain nothing which could be interpreted as limiting the opportunities of capital exporting countries. The exceedingly weak provisos of paragraph 6 were illustrative of the general tendency. Under-developed countries were thereby requested to examine domestic laws and administrative practices with a view to safeguarding foreign investors against discriminatory taxation, nationalization and expropriation. He wondered whether the imposition of such conditions was not contrary to all previous resolutions. Indeed, the present one was more like an agreement between a banker and an under-developed country, an agreement imposing conditions on the fulfilment of which the availability of capital was made to depend. Reference to taxation

policies, for instance, would seem to him to constitute interference in the domestic affairs of countries and with their sovereign rights.

12. In practical terms, the resolution constituted an attempt to perpetuate the unsatisfactory distribution of national income which was so detrimental to the welfare of under-developed countries.

13. For all those reasons, his delegation had been unable to support the resolution, although its abstention in no way meant any slackening of its interest in the problem. His Government maintained that the Council was entrusted with the responsibility of promoting the economic development of under-developed countries and that that responsibility it must discharge instead of serving the interests of capitalist investors.

14. Mr. ORTÍZ MENA (Mexico) said that his delegation, in accordance with the explanations given by him at the 499th meeting, had voted in favour of the resolution. It had, however, abstained from voting on the paragraphs providing for the conferment on foreign capital of special treatment. The Mexican Government, in fact, did not agree with placing foreign capital on a different footing from domestic capital. In his country, foreign capital enjoyed the same rights as domestic capital, not in virtue of international conventions, but on the basis of national legislation. Furthermore, Mexico provided adequate encouragement for foreign investments, as the increased influx of such capital during the past few years had proved.

15. With regard to paragraph 4 (c), he pointed out that his Government was already applying certain of the recommendations contained therein.

16. Mr. ARKADIEV (Union of Soviet Socialist Republics) said that he had abstained from voting because the resolution in its present form was inadequate to meet the problems which the Council must face in a matter of such vital importance to the world economic situation. Furthermore, he considered that the resolution did not serve the true interests of the under-developed countries, but, as the amendments submitted by the French, United Kingdom and United States delegations had plainly demonstrated, was designed to further the aims of foreign capitalists.

17. Paragraph 6 made that point only too clear. It was designed to protect the interests of the imperialist monopolies and, first and foremost, of the United States of America, which wished still further to subjugate the under-developed countries through penetration by United States and other foreign capital. The attempts made by the delegations of certain under-developed countries, such as India and Pakistan, to improve the text and to protect their own sovereign rights had met with the most bitter opposition from France, the United Kingdom and the United States of America, which were used to dealing with the under-developed countries as subordinates, which could be forced to grant them all privileges. The Soviet Union delegation had every sympathy with the efforts made by the under-developed countries and had, moreover, supported the Indian and Pakistani amendments to the resolution. It still supported them.

Unfortunately, the text as adopted was contrary to the true principles of economic development and afforded no real protection of the under-developed countries' interests through the full utilization of their national resources. His Government was opposed to all such infringements of sovereignty, as were implied in provisions regarding changes in national legislation, guarantees, etc. It was partisan of an extensive system of trade relations based on the respect of sovereignty and equality between States. That, indeed, was the leading principle of the Soviet Union's foreign policy.

18. Mr. GARCIA (Philippines) said that the records would show that the Philippines delegation had of its own free will voted in favour of the resolution, with the exception of paragraph 14 (b). The resolution had several features which he believed would help to stimulate the flow of foreign capital into the under-developed countries. It was good that the Bank and other agencies had been urged to expand their lending operations, and, furthermore, that the Bank should have been invited to study the possibility of the establishment of an international finance corporation, work which his delegation considered should be undertaken without delay. His delegation had abstained from voting on paragraph 14 (b), which dealt with the question of an international development authority, because it wished to reserve its freedom of action on that issue in the General Assembly.

19. Mr. KRISHNAMACHARI (India) said he wished to limit his comments to paragraph 6, to which his delegation had proposed amendments. From his Government's point of view, the provisions contained therein were not contrary to national policy, since the Indian Government had welcomed foreign capital in the private sector of industry and had granted foreign investors the same safeguards as nationals. But it might be considered that the attempts which were made in his country to exert a certain measure of control over industry—which admittedly was no more than was done in certain circumstances in the United States of America—could result in certain foreign enterprises being treated harshly, especially if they commanded a large share of any particular industry. While it was perfectly right and proper for a country to offer foreigners the same treatment as nationals, and while all civilized countries in fact did so, to put the question in an extreme form, as was done in paragraph 6 of the resolution, would appear to be unnecessary and might open the door to negotiations between foreign countries and under-developed countries with a view to arranging or coming to some agreement in respect of treaties and instruments of that kind. Whatever assurances an under-developed country might give, venture capital was not forthcoming unless there was the prospect of a high return; with that expectation, such capital would be forthcoming, irrespective of the concomitant risk.

20. On the other hand, in its relationship to that part of the resolution wherein provision was made for the establishment of an international finance corporation to deal with equity investments, paragraph 6 was necessary. A corporation of that kind would be unable to function if prospective investors had no guarantees whatsoever.

21. It was inevitable that great divergencies of opinion could only be reconciled by the adoption of a compromise resolution. He had voted in favour of it, since none of its provisions conflicted with his Government's policies and the conditions prevailing in his country.

22. Mr. TAUBER (Czechoslovakia) said that his delegation had abstained from voting on the ground that the resolution was not an instrument calculated to extend effective aid to the under-developed countries. On the contrary, its essential aim was to protect the foreign capitalists. The discussion which had taken place on paragraph 6 amply proved that assertion. Only in subparagraph (c) of that paragraph were the countries desirous of receiving foreign capital given the possibility of defending themselves against the pressure of foreign monopolies. The Czechoslovak delegation had accordingly voted in favour of that subparagraph, as also of paragraph 15, which urged Member Governments to continue to act upon the invitation contained in General Assembly resolution 400 (V).

23. He added that his abstention in no way indicated a lack of interest on the part of his Government in the problem of financing economic development. His delegation had abstained because it was convinced—and statements to that effect had been repeatedly made both in the Council and in the General Assembly—that genuine assistance to the under-developed countries should be imbued with a totally different spirit and should be directed towards providing them with a form of assistance enabling them to achieve independence, both in the political and in the economic sense.

24. Mr. BORIS (France) emphasized that the French delegation had approved each of the paragraphs and the resolution as a whole and that he was happy thus to associate his vote with those of many under-developed countries.

25. In the French delegation's view, the development of under-developed countries, was one of the most important problems in history. The world would not enjoy either real peace or stability until it was solved. History would show that the problem was first clearly posed in the United Nations. Rudimentary, brutal remedies, such as those to which allusion had been made by the representatives of Eastern European countries, would not enable it to be solved.

26. On the basis of the experience France had acquired in the under-developed territories for which it had been responsible, the French delegation recognized that external aid must play an important part. He believed that the resolution just adopted by the Council was a definite step forward.

27. The French delegation could understand the impatience of those who would have liked to go still further, but it was convinced of the need to take account of what was practicable under given circumstances. In dealing with that important question the French delegation had endeavoured to narrow the margin which always existed between the practicable and what it was desirable to achieve. That had required as broad a measure of agreement as possible and had necessitated

difficult negotiations in search of a compromise. The text adopted did not solve the problem, but it did amount to a step forward which should prepare the way for further progress.

28. Mr. SCHNAKE VERGARA (Chile) said that his delegation had voted for all the paragraphs of the resolution, with the exception of paragraph 14 (b), on which it had abstained. It had also abstained from voting on the resolution as a whole, and must therefore explain its position.

29. The Chilean delegation to the Economic and Social Council felt obliged to defend, not only the interests of Chile, but also the general interest and, in particular, the interests of those Latin American countries which were not represented in the Council. It had taken the initiative in, and the responsibility for, re-opening the discussion in the Council on the draft resolution submitted by the Economic Committee (E/2061), because it had regarded that draft resolution as inadequate in view of the cardinal importance of the question. It had also considered that the draft resolution submitted by the experts recommending the creation of a special fund to finance non-self-liquidating projects suggested the method best suited to the general interests of the under-developed countries. Lastly, the Chilean delegation had wished to prevent the adoption by the Council of a resolution of a negative character, like that of the Economic Committee.

30. The statements in plenary meetings of the Council by the various delegations, particularly those of the under-developed countries, the statement by the representative of the World Federation of Trade Unions (WFTU), the amendments proposed and the joint amendments submitted by the delegation of France, the United Kingdom and Uruguay fully justified the Chilean delegation's decision to request the re-opening of discussion. In point of fact, the resolution adopted was substantially different from that proposed by the Economic Committee and represented a very definite step forward that should not be under-estimated, since an ideal solution could not be found in a day.

31. Reviewing the resolution adopted, he emphasized that the preamble was clearer, apprised governmental administrations, trade unions and the general public of the progress achieved, and would be of great value in educating public opinion.

32. Section (B) of the resolution was improved by paragraphs 5 and 6, and particularly by the former. The discussions which had taken place on the subject, and the statements by the Indian and Pakistani representatives in particular, had very clearly shown the way to a final solution of the problem. The Chilean delegation fully supported that part of the resolution, which completely clarified the two points made by India and Pakistan.

33. The first, which was of a general character, was that, notwithstanding different customs and legislation in the under-developed territories, a general recommendation applicable to all countries was preferable to separate recommendations for specific countries.

34. The second point concerned the proviso proposed by Pakistan. While the Chilean delegation considered the insertion of such a clause in paragraph 6 unnecessary, it understood why other countries deemed it essential as a means of interesting the public in international co-operation. But it was wrong to imagine that, failing such a clause, the under-developed countries would perhaps have lacked enthusiasm. The public in those countries was conscious of the need for international co-operation and knew that such co-operation did not impair the sovereignty of any one of them. He did not believe that cases would arise in which one country might feel the need to invoke the proviso against another. As a result of changes in the under-developed countries, the latter were no longer developing on the same lines as in the past.

35. Paragraph 13, with its reference to "an international finance corporation to promote the financing of productive private enterprise" marked a step forward as compared with the text of the Economic Committee's draft resolution. There was, indeed, no organ to finance productive private enterprises. Such a corporation would fill a need. The paragraph gave satisfaction to the Chilean delegation, because it took account of the amendment it had submitted.

36. Paragraph 14, which referred to the "establishment of an international fund to assist in the financing of economic development of under-developed countries or of an international development authority", deserved special comment. The text was certainly an improvement on that of the Economic Committee, but it did not meet existing needs which should and could be covered. That was why the Chilean delegation had abstained from voting on paragraph 14 (b), although it realized that the text was the result of an attempt to compromise.

37. The Chilean delegation had abstained from voting on the text as a whole, since it considered that the Council was not entirely fulfilling the mandate given to it by the General Assembly. In particular, the resolution did not make adequate provision for the financing of non-self-liquidating projects. Moreover, it was the result of an incorrect approach to the problem. The resolutions of the Council should not be based on the prior agreement of Member States concerned but on the common interest. Finally, the resolution took too much account of the existing world situation. The world was changing, and provision must be made forthwith for the solution of the complex problems in prospect, which might, perhaps, become even more complicated as time went by. The Chilean delegation remained convinced that its proposal to establish a special fund as soon as possible was the most realistic solution of the problem.

38. Mr. ISMAIL (Pakistan) said that he had voted in favour of the resolution, since it was the first resolution adopted by the Council to lay down the principle of outright grants for the economic development of under-developed countries, and because it kept alive the proposals for the establishment of an international authority to regulate such financial assistance and of an international finance corporation; but the resolution failed to suggest practical methods of bringing about an adequate,

steady flow of foreign capital to under-developed countries for their development, and its provisions concerning international grants for non-self-liquidating projects of economic development were insufficient. He regretted that the Council had not taken more positive action to help finance economic development. He did not consider it necessary to reiterate the point he had made when introducing his amendments to the draft resolution as he had then made his position quite clear.

39. Mr. CHARLONE (Uruguay) said that his delegation was in agreement with the statement of the representative of Chile, particularly as far as paragraph 6 was concerned. In voting in favour of that paragraph, the delegation of Uruguay had in no way intended to imply that it would enter into further obligations towards private foreign capital. Indeed, in his country, foreign capital was treated on the same footing as domestic capital, except that certain fields of activity, such as the exploitation of the sub-soil, were the sole preserve of domestic investors. Uruguay would, in future, continue to follow the same policy as in the past and would only accept foreign capital designed to ensure the economic development of the country. He recalled the fact that the United Kingdom had received fair compensation for its investments in the Uruguayan railways.

40. The resolution constituted a great step forward in international collaboration, which would be greatly reinforced by the establishment of an international finance corporation. It had, in fact, been recognized by the majority of the members of the Council that the Bank could not furnish the under-developed countries with the funds necessary for economic development, unless the governments of those countries offered it guarantees in accordance with its Statute. The establishment of an international finance corporation would enable the obstacle of governmental guarantees to be overcome. His delegation likewise noted with satisfaction the reference to assistance by grants. Such grants would enable those countries whose domestic capital resources were insufficient to finance their economic development to take the first steps in that direction.

41. The existing lack of capital for financing the under-developed countries had been variously explained in the course of the discussion. In spite of that lack, however, studies should be continued so that from the various solutions put forward, one might be chosen which would lead as quickly as possible to the desired end. Precedents were not lacking and it was sufficient, in that connexion, to remember the activities of the International Bank for Reconstruction and Development and the International Monetary Fund (IMF), which had both rendered assistance during the most difficult period immediately after the Second World War.

42. The PRESIDENT, pointing out that the Council had not taken any decision on the report of the Economic, Employment and Development Commission (sixth session), suggested that the Council adopt the following draft resolution:

"The Economic and Social Council takes note of the report of the Economic, Employment and Development Commission (sixth session) (E/2006)."

43. Mr. LUBIN (United States of America) supported the proposal, saying that no other decision on the Commission's report was possible, since it contained no advice or recommendations by the Commission but only an account of certain facts and different views. The report illustrated the uselessness of the Commission.

44. The PRESIDENT put the draft resolution to the vote.

*The resolution was adopted unanimously.*

45. The PRESIDENT announced that the Council had concluded its work on items 3, 4 (a) and 4 (b) of its agenda.

**Economic development of under-developed countries (E/2024 and E/2041):**

**(d) Volume and distribution of national income in under-developed countries**

46. The PRESIDENT recalled that the General Assembly, in adopting resolution 403 (V), had requested the Council "to study and report on the volume and distribution of national income in the under-developed countries", with special reference to two specified factors, and had asked the Secretary-General to submit to the Council a report to enable it to comply with the General Assembly's request. He invited comments on that report (E/2041), which the Secretary-General had duly submitted, and also on the reports (E/2024) submitted by the International Monetary Fund (IMF). The report by the Secretary-General on the relation of fluctuations in the prices of primary commodities to the ability of under-developed countries to obtain foreign exchange (E/2047 and Add.1) was also relevant to the subject.

47. Mr. WILLIAMS (International Monetary Fund) said that, at its eleventh session, the Council had requested IMF to carry out three studies. In answer to that request, only one document (E/2024) had been submitted to the Council, but it contained two separate studies. The first dealt with the proportion of foreign exchange receipts of a number of countries absorbed by servicing foreign investment in those countries and represented a combined answer to the two closely-related requests made by the Council for, on the one side, a study of the current situation of certain under-developed countries and on the other an historical review of the situation of certain more-developed countries. The second study related to statutory and administrative measures in force in five under-developed countries: Brazil, Chile, Ecuador, Peru and the Philippines. No special significance should be attached to the choice of those countries, which had been selected simply because their systems, taken together, illustrated most of the measures of the kind under discussion which were at present in force and on which information was readily available. Some information of the same kind in regard to other countries was to be found in the Fund's recent report on exchange restrictions.

48. The two studies were factual and descriptive, and the data were as complete and accurate as was possible.

But the warning given by a representative of IMF at the Council's eleventh session that the shortage of accurate and complete information would create difficulties in the preparation of any worth-while study had proved to have been well founded. If sufficient attention were not paid to the shortcomings of the figures in the document, quite inaccurate or misleading conclusions might be drawn from them, and the studies, which were in themselves accurate, might be wrongly blamed. He would therefore like to draw particular attention to the conclusion to the first study. The figures in the studies could not be used to measure the impact of foreign investment or the servicing of that investment on the general welfare of the country concerned. The ratios threw practically no light on the problem whether the investment had improved the country's output or standard of living. They did not indicate whether the investor was making a large or a small profit; nor did they show the amount of taxes or similar payments made to the local government. They did not reveal the level of local payrolls or the collateral local activities which had grown up as the result of foreign investment; nor did they show the amounts spent on local supplies. To obtain answers on those subjects it was necessary to make an entirely different type of analysis, some of the main elements of which were indicated in the document. It was also pointed out in the conclusion to the first study that care must be exercised in using the figures for measuring the balance of payments impact of foreign investment and the servicing of foreign investment. The type of investment was not indicated; it should be remembered that an investment in railways, for example, did not create much foreign exchange, whereas investment in oil production directly created its own means of servicing. Nor was any distinction made in the figures between the servicing of equity investment, in which the foreign exchange burden varied with the foreign exchange earnings available to meet that burden, and fixed debt servicing, in which the burden scarcely varied. To study the balance of payments impact of foreign investment in a given country required intensive analysis of the factors peculiar to that country's situation. The staffs of IMF and of the Bank were constantly making such analyses; some of the results of their work were to be found in the Fund's *Balance of Payments Yearbook*.

49. A cursory perusal of the text of the reports alone without study of the footnotes might give an inaccurate impression, since those footnotes showed that much of the data was incomplete or not comparable. For example, the figures supplied for Indonesia excluded all oil transactions, and IMF was therefore of the opinion that the investment service ratio shown was understated. In other cases, the movement of new capital into a country or the re-investment of earnings might have an important bearing on the availability of foreign exchange; but such data were not shown. It should be remembered that foreign investment in a given country might be organized and operated in such a way as to have either great or little impact on the economy of the country, and allowance must be made for those differences in any comparison by countries.

50. The subject was a somewhat technical and complex one, and the correct use and interpretation of the ratios

was of great importance. No conclusions could be drawn from them in isolation. They constituted only one factor in determining whether a country might be over-borrowing. But, as was stated at the end of the first study, they did "supply relevant information; and in some cases where comparisons are being made between countries in generally similar circumstances or between different periods for the same country, they may suggest preliminary conclusions that will be borne out by further study".

51. Mr. REISMAN (Canada) recalled that, at the time when the Council had asked for the preparation of the reports now before it, the Canadian delegation had expressed considerable doubt as to their value, since the data they would contain were bound to be inaccurate. After examining those reports, he had come to the conclusion that, although they were the result of competent technical work, they did not in the present circumstances constitute a useful addition to the work of the Council. If the statistical data contained in the reports had been more accurate, the reports themselves might have been better. Before such studies could be fully useful, the statistics of under-developed countries would have to be improved. At an earlier stage in the current session when the Economic Committee had been considering the Statistical Commission's report, the Canadian delegation had pointed to the need for the Statistical Commission, and for all other bodies of the United Nations and the specialized agencies concerned with statistics, to provide under-developed countries with greater and continuous assistance in that field. If that were done, real progress could be made in the question under discussion, but until then it would be useless to continue the studies of which the present reports were the result; it was futile to build on ignorance.

52. For the foregoing reasons, he would propose the adoption of the following draft resolution:

*"The Economic and Social Council,*

*"Taking note of the reports (E/2041 and E/2024) on the volume and distribution of national income in under-developed countries and upon their capacity to service investments of foreign capital prepared in response to the requests to the Secretary-General and the International Monetary Fund contained in General Assembly resolution 403 (V) and paragraph 16 of Economic and Social Council resolution 294 D (XI);*

*"Requests that the Secretary-General and the International Monetary Fund, in co-operation with other specialized agencies concerned, continue to give attention to these subjects in the course of regular work on problems of economic development and on the development of national income statistics and balance of payments statistics, giving particular attention to encouraging the preparation of basic statistical series in under-developed countries."*

53. Mr. ADARKAR (India) said that he agreed with the Canadian representative that more spade-work was needed before the studies which had resulted in the reports before the Council could be perfected; but he hoped that the Canadian representative did not mean

that the studies should not be pursued at a later stage. That did not appear to be the meaning of the draft resolution.

54. He was glad that the Secretary-General had included in his report (E/2041) national income statistics not only for under-developed countries as requested by the General Assembly in resolution 403 (V), but also for advanced countries. The statistics relating to the advanced countries would make it easier for the Council to attain the purpose of the General Assembly's resolution, which was "to mobilize better" the "resources" of the under-developed countries "with a view to accelerating their economic development".

55. In adopting resolution 403 (V), the General Assembly had recommended "that the under-developed countries should devote special attention to studies directed towards the calculation of their national income and its distribution". In India, arrangements were being made for such studies. A national income committee had been set up and a sample survey of incomes was to be made. The Reserve Bank of India had a department which compiled national income statistics. The national income committee had figures of India's national income divided according to occupations but not according to different income groups, since it was extremely difficult to make such a division. That committee could provide the Secretary-General with statistics of India's foreign commitments and assets which might be useful to him.

56. According to the Secretary-General's report, the average annual *per capita* income of North America was 1,100 dollars, of Oceania 560 dollars, of Europe 380 dollars, of the Union of Soviet Socialist Republics 310 dollars, of South America 170 dollars, of Africa 75 dollars, and of Asia only 50 dollars. Thus, it appeared that the 65 per cent of the world's population which lived in Africa, Asia and South America received only about 15 per cent of the world income. He agreed that the disparities in standards of living in Asia, Africa and Latin America on the one side and the rest of the world on the other was not as great as those figures made it appear, since the figures did not cover certain non-monetary sectors of the economy and did not allow for climatic differences. But the disparity was none the less very great. According to the report, the total world income was 485,000 million dollars; the share of the United States of America was 216,000 million dollars; of the Union of Soviet Socialist Republics 60,000 million dollars; and of the United Kingdom 39,000 million dollars. The share of all the rest of the world amounted to much less than half the total. Thus, the report provided grounds for stating that the advanced countries might share some of their income with less fortunate countries. By that he did not, of course, mean to imply that the redistribution of national incomes throughout the world could be effected in the same way as the redistribution of the national income within a country.

57. Special attention should be paid to the statements in paragraphs 23 and 24 of the Secretary-General's report that "The total income produced in a country by the productive resources situated within its borders . . . is larger or smaller than the national income accruing to



its residents, depending on whether the net flow of investment income between the country and the rest of the world is outward or inward", and that "almost without exception, all countries that might be considered under-developed made no net outward payments of investment income in 1949 . . . in relation to the net geographical product of these countries the net payments abroad of interest, dividends and branch profits are not large . . . in a great majority of cases the amounts are under 1 to 2 per cent." As stated in paragraph 29, "Although net investment is only a small fraction of the total geographical product of most countries, investment income payments are often considerable in relation to the current receipts of the balance of payments".

58. Paragraphs 30 to 32 showed that the United States of America provided most of the international flow of capital for investment, and paragraph 32 also contained the interesting statement that "United States investors received . . . an average yield of 17.4 per cent on United States-controlled Latin-American investments".

59. It was stated in paragraph 36 that "the foreign indebtedness of the United Kingdom at present exceeded the value of its overseas holdings", whereas, according to table 12, the "gross creditor position" of the United Kingdom in 1938 was 22,900 million dollars and its "gross debtor position" 1,300 million dollars. It was further stated in the report that India, which in the past had been one of the United Kingdom's greatest debtors, was at present a creditor of the United Kingdom; but he must point out that India's sterling balance in the United Kingdom was mostly blocked and could not be regarded as an investment. The United Kingdom deserved to be congratulated upon accepting that indebtedness. That action had persuaded several countries to remain within the sterling *bloc*, a fact which had helped to give sterling its present strong position.

60. Chapter V of the report was an excellent piece of work. But he would be grateful for an explanation of the apparent discrepancy between that chapter, which indicated that the Secretary-General did not intend to pursue the study further, at least for some time, and the words in paragraph 2 of chapter I describing the report as an "interim report". Should not governments supply additional national income statistics which would be useful for future work on the subject by the Secretariat?

61. The representative of the International Monetary Fund had pointed out that the statistics in its reports (E/2024) might be misleading if not treated in the proper way. The Indian delegation agreed that the ability of countries to service foreign loans had no relation to those countries' standards of living. In the past, India had serviced most of the loans it had received, but that did not mean that standards of living in India were high. Great care should be exercised in trying to draw conclusions from changes in the balance of payments position of countries. For example, an improvement in a country's balance of payments position might be due merely to severe limitations on imports without any rise in the country's standards of living; and, conversely, deterioration in its balance of payments position might be due solely to a single calamity such as a famine. Consequently, although the studies made by IMF were of great

interest, no real conclusions could be drawn from the data contained in its report.

62. He added that he was confident that the reports of the Secretary-General and IMF would be of great use in three or perhaps four years' time when the basic data were more complete, and he would vote in favour of the Canadian delegation's draft resolution.

63. Mr. WEINTRAUB (Secretariat) stated that the report by the Secretary-General (E/2041) had been described as an interim report merely because there was to be another edition in printed form; the printed edition, which would include some additional material, would be the final report at the present stage.

64. Mr. ISMAIL (Pakistan) proposed the addition at the end of the second paragraph of the Canadian draft resolution of the words "and make every effort to provide such technical assistance as under-developed countries may request in this connexion".

65. The PRESIDENT pointed out that the General Assembly, in resolution 403 (V), had already requested the Secretary-General and the specialized agencies concerned "to give the most favourable consideration possible to requests for technical assistance made for the above purpose". He would also point out that in that resolution the General Assembly had requested the Council to report on the volume and distribution of the national income in the under-developed countries; if the Council did not report on the matter immediately, it should take a decision as to the time at which it would be able to do so.

66. Mr. ISMAIL (Pakistan) withdrew his proposal.

67. Mr. STERNER (Sweden) said that he had studied with great interest the statistics contained in the reports under discussion. He would suggest, in the light of the Canadian representative's remarks, that some words of caution concerning the statistics should be added to the Canadian draft resolution. The Secretariat had done the best it could in the circumstances, but it was clear that the statistics must have been based on very tenuous data. All persons with experience of national income statistics were aware that they were never altogether reliable. National income statistics for areas of the world such as Africa could not be expected to be as trustworthy as those for more advanced regions. Moreover, international comparison of *per capita* income figures was apt to be misleading, since the cost of living varied considerably from country to country.

68. Mr. REISMAN (Canada) said that the draft resolution he had proposed was intended to strike the note of caution suggested by the Swedish representative. He fully agreed that much work remained to be done before really reliable studies of the subject could be completed. He wished to assure the Indian representative that the Canadian delegation was not trying to put a stop to the compilation by the Secretariat of statistics of the national income of under-developed countries. But it did wish to draw attention to the lack of adequate basic material. The man-hours spent in compiling the statistics in the Secretary-General's report could have



been spent much more profitably in lending assistance to under-developed countries for the preparation of their basic statistical series.

69. Mr. ADARKAR (India) proposed that, in accordance with the comments of the Swedish representative, the word "reliable" should be inserted before the words "national income statistics" in the second paragraph of the Canadian draft resolution, and also that a third paragraph should be added reading: "*Decides* to study further the reports of the Secretary-General (E/2044) and of the International Monetary Fund (E/2024) at a subsequent session, so as to present a report to the seventh session of the General Assembly in pursuance of its resolution 403 (V), paragraph 3."

70. Mr. REISMAN (Canada) said that he had no strong objection to the additional paragraph proposed by the Indian representative, but, if the Council were to study the reports again at a subsequent session, it would not even then be able to do more than it could do at the present session.

71. The PRESIDENT suggested that there was no need to add the additional paragraph suggested by the Indian representative and that a reference to the two reports in the Council's report to the General Assembly would be sufficient, inasmuch as the Council

would continue to study the national incomes of under-developed countries as often as it had their economic development under consideration, and the reports of the Secretary-General and the International Monetary Fund would, for a long time to come, remain basic documents for its discussions on economic development.

72. Mr. ADARKAR (India) replied that one of the reasons why he had proposed the additional paragraph was that, as the Director of the Division of Economic Stability and Development had said, the Secretary-General's report was not yet in its final form. Governments should have an opportunity to study and comment on the report after it had been issued in final form. He suggested that it might be possible to defer taking a decision on his additional paragraph until a later stage in the debate.

73. The PRESIDENT thought that there was no need for the Council to defer taking a decision on the additional paragraph proposed by the Indian representative, who, if he withdrew the paragraph, would be free to re-introduce it at any time during the Council's future discussions on the national income statistics of under-developed countries.

The meeting rose at 6.5 p.m.

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