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ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

Statement by the Secretary-General

Fifteen years have now passed since the Second World War ended and ten years since the physical effects of the war were overcome. During all this time the world has been preoccupied with the tension dividing east and west. Nevertheless, despite changing political fortunes, international co-operation has registered an unprecedented advance in the economic sphere. This is due mainly to the movement of world-wide solidarity demonstrated first in the reconstruction of the war-devastated areas, and later directed to the infinitely vaster and more enduring task of bridging the gulf between countries at different stages of development. It is also true that while political, or conceptual difficulties, have hampered the progress of economic relationships between east and west, the area of co-operation, based on a recognized coincidence of interests, has, in recent years, tended to widen. It is therefore fitting that in this year 1960 which marks the beginning of a new decade, the Council should have decided to meet at the ministerial level, and should now undertake a broad examination of the direction to be taken if the challenge of national as well as of collective responsibility is to be met.

Economic interdependence has been increasing rapidly. In part, this has been the inevitable outcome of advances in science and technology, in transport and communications, which tend not only to shrink physical distances but also to diffuse cultural patterns throughout the world community. The

tendency has been reinforced by the powerful drive for national independence, beginning immediately after the war in Asia, and now reaching a rapid climax in Africa. Though in another context such a movement might have generated powerful centrifugal forces splitting peoples apart, in the context of responsible national and international statesmanship towards which the United Nations has undoubtedly made its contribution, the emergence of new nations has, in fact, been accompanied by a growing sense of sharing a common membership in a world community. Of no less importance have been the powerful economic forces making for a growing integration of the world community. As the major trading countries of the world, in response to persistent pressures for economic efficiency, have dismantled their controls over trade and payments and have returned essentially to a system of international convertibility of currency, the degree of their mutual interdependence has inevitably increased. Having discarded economic instruments which had been earlier fashioned to shield them from foreign economic crises, their economies have naturally become more sensitive to influence from abroad.

Growing economic interdependence has been recently reflected in major efforts to strengthen inter-governmental organizations outside the United Nations. This is currently exemplified in the measure now being contemplated to remodel the Organization for European Economic Co-operation. Such broadening of institutional arrangements for international co-operation and action is of great historic importance. It also creates for the United Nations new problems and challenges. Regional arrangements among neighbouring or like-minded countries are bound to play a major role in the formulation of international economic policies. Nevertheless, it would be far from realistic to assume that regional arrangements can alone suffice to cope with the urgent problems confronting the community of nations. The United Nations Organization remains the only universal agency in which countries with widely differing political institutions and at different stages of economic development may exchange views, share their problems and experiences, probe each other's reactions to policies of mutual interest, and initiate collective action; it

is inspired and bound by the solemn pledge of the Charter to take "joint as well as separate action". Unless steps are now taken to increase the effectiveness of action within the United Nations, the danger will exist that the strengthening of regional economic organs outside the Organization may divide as much as it unites.

It is to be hoped that the present ministerial session can help in reappraising the scope and direction of the United Nations' work in the economic and social field under prevailing political circumstances and in the light of prospective institutional changes in the framework of international co-operation.

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### Balanced Growth

Balanced growth is gradually emerging as a central concept permeating public policy thinking in almost all countries, regardless of the stage of their economic development or of the nature of their basic political institutions. This is a healthy sign. For more than a generation, the world has been preoccupied with major catastrophes and minor crises - with a world depression of great magnitude and with the Second World War, with acute post-war shortages, inflation and international disequilibria, with the effects of the Korean hostilities and the resulting raw material price boom and collapse, with recurrent minor recessions and recovery. Little wonder that in such a context, the immediate problems have tended to obscure long-term needs. Governments may now take courage from the degree of success that has been achieved in overcoming the various crises and in containing the forces of instability which have for so long plagued the world economy, and it is natural that they should increasingly turn their attention to the even more fundamental goals of growth.

This tendency is to be witnessed everywhere, although under a great variety of circumstances.

It is of course in the under-developed areas, emerging, as they are, from centuries of stagnation, that maximum awareness of the problem of growth is to be found. Despite the progress of the last decade, populations of these countries still endure levels of living which do not reflect the extraordinary expansion in the world's productive capacity and which are so much at variance with the revolutionary rise in peoples' expectations since the end of the war. How to convert a social and cultural environment rooted in a stationary economy into one that is growth-oriented; how to spare adequate resources from current consumption to finance an increase in the productive capacity of each country's economy without intolerable inflationary pressure; how to acquire the imports of capital goods and other essentials without deficit in the balance of payments; how to decide on the optimum allocation of resources between alternative uses for economic and social development; how to provide for adequate economic incentives for the necessary managerial, entrepreneurial and administrative leadership and for a labour force with the proper training and skills required by modern technology; how to develop adequate markets for the goods the economy is capable of producing, these are among the questions relating to the various aspects of growth which governments of under-developed countries cannot afford to leave without an answer. In most of these countries, preoccupation with growth is reflected in some form of planning, or, at least in "the creation of a general perspective giving broad guide-lines and orders of magnitude and objectives", to quote the Consolidated Report of the Council Committee on Programme Appraisals.

In the advanced industrial countries with a free enterprise system, governments are also becoming aware that satisfactory rates of growth cannot be taken for granted. It is true that the post-war years have carried their levels of living to new highs. But, if the average rates of growth compare favourably with those of the pre-war period, it should not be overlooked

that the earlier rates include the effects of major depressions and wars. They do not, therefore, necessarily provide an adequate guide for optimum growth in the future. Moreover, in recent years, the rate of expansion of the industrial countries has been a declining one, partly perhaps because private demand for investment may have grown less buoyant as the arrears from the war and the pre-war depression have been more than made good, but partly also because government policies have not always proved entirely adequate to cope with the problem of combining optimum rates of growth with price stability and balance in the international payments accounts. Increasingly, the question is asked whether adequate provision has been made, on the one hand, for the appropriate improvement of the economic and social overhead capital, and on the other, for protecting the levels of living of the economically handicapped—the aged, the infirm and the lower income groups generally. With the vast potential for expansion in productive capacity and with the growing realization of the ever-mounting waste of resources in armaments, it is felt that the time has perhaps come to focus attention upon neglected opportunities for raising standards in such areas as education and medical care, or for wiping out the blight which, despite a decade of building boom, continues to attack our cities. It is most significant that some of the most advanced industrial countries now find it useful to establish long-term plans for economic growth as guide-lines for economic policy, and others, recently including Canada and the United States, have established national commissions on economic and social goals and policies.

Finally, in countries with centrally planned economies the problem appears in somewhat different terms. Sustained high rates of growth have been narrowing the gap between these countries and the advanced industrial economies based on private enterprise, and the question asked is whether capital accumulation has not been proceeding at too fast a rhythm to permit for balanced growth, or whether the allocation of resources between various uses has always been satisfactory. Economic growth in these countries as in the rest of the world has not been altogether free from inflationary pressures. Agriculture has continuously been lagging in relation to industry,

and consumption in relation to investment and total output. The need is more and more recognized to give greater attention to strengthening economic incentives of labourers or peasants, by providing more consumer goods and a shorter work week.

A generation ago, it might have been assumed that responsibility for policies of economic growth should be exclusively national. Today, such a premise is hardly tenable. This is already recognized in the United Nations Charter which reflects a major transformation of the concept of international co-operation and clearly establishes a measure of collective responsibility in such matters. Post-war experience has amply justified the Charter in this respect. It has been repeatedly shown that even a moderate slowdown in the rate of economic activity in one or two leading countries may affect prices and income, production and employment, and even prospects for development, in many parts of the world. Similarly, advances in industrial technology, or new trade arrangements between groups of countries, may have major repercussions in the national income and production of distant nations, at times far exceeding in importance their economic significance in places where they originate. It is, therefore, quite natural that in the United Nations the stable and balanced growth of the world economy is also gradually emerging as a dominant theme and preoccupation. In fact the importance now attached to this question is mirrored in a number of recent debates and resolutions. To list only those in the past year, in resolution 741 the Economic and Social Council requested a comprehensive evaluation of the techniques of long-term economic projections as a means of aiding economic development; the General Assembly in its resolution 1428 laid the ground for intensified work in the study of long-term perspectives. During the debate leading to the creation of a Committee for Industrial Development the importance of a periodic review of plans and prospects for industrialization of under-developed countries was repeatedly emphasized, and in the Commission on International Commodity Trade the study of medium-term trends has become one of the major topics. It should also be recalled that almost all the operational activities of the United Nations under its Technical Assistance and Special Fund programmes are directed towards the objective of balanced growth.

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If the concern with balanced growth is already underlying so many of the United Nations activities, it is probable that an intensified, and more systematic action is needed. It is worthwhile considering how the Organization could make its most effective contribution in this field and what steps should be taken to make this contribution possible. In this respect, the function of "consultation" inherent in the Council, but never as yet fully developed, should be highlighted. Through a rationally organized process of consultations, the Organization might, more than any other agency, play an important role in both the harmonization of national policies and the formulation of international objectives.

The importance of consultations relating to national policies and objectives is underscored in the Council Committee's Programme Appraisal in the following terms:

"In an increasingly interdependent world, there is still far too little known regarding the extent to which the economic and social policies and objectives of the different nations are mutually consistent. Under constant pressure of immediate needs, Governments are continually forced to take decisions of great significance for the future development of their countries without anything like adequate information on the corresponding policies and objectives of other governments, and on the world-wide framework into which these objectives are expected to fit. The harmonization of policies is an important function of the United Nations, according to the Charter. Nevertheless, as pointed out earlier in this report, it is an area where relatively little progress has been achieved. This is an obstacle to the development of national policies and programmes within the context of broad international policies".

The reply of the Government of France to the questionnaire on long-term projections, appropriately stresses that in a national economy, consistency of objectives need not be a major preoccupation as long as a modest rate of growth is aimed at, for under such circumstances, the margin of adjustment in the various sectors is relatively large; but when rapid expansion is desired, a minimum of coherence of objectives and means becomes indispensable, if dangerous tensions are to be avoided. The same may be said to be true in the international community. It is recognized that some preliminary expert work will have to be done before meaningful consultations on long-term economic policies may be organized. Action undertaken under existing resolutions on long-term economic projections

is but a modest beginning of what should become a continuing function of the Organization. It will be necessary to clarify further concepts and hypotheses and to establish their comparability. The Organization is well equipped to serve as a clearing house for the work undertaken by national or regional agencies entrusted with the formulation of perspectives and goals. It would require that a closer relationship be established between the Secretariat and these agencies than has existed heretofore. Such a process might lead to considerable progress in the formulation of operationally meaningful goals for economic growth and in the definition of priorities for the proper phasing of policies of countries at various stages of development and under different social systems.

When work at the expert level is sufficiently advanced, regular and periodic consultations at the policy-making level can be organized, aiming at the harmonization of national economic goals and policies. Consultations of this nature might significantly help in reducing the inflationary or deflationary bias which often creeps into national policies when they are based on inadequate knowledge of trends and plans in the rest of the world. It would, moreover, minimize the risk for every country, particularly for those at an early stage of development, that their national policies for investment, especially for exports and imports, might be frustrated by conflicting policies in other countries.

Such co-operative efforts for analysis and consultations are at present taking place, although still in a very timid way, within regional groupings in Europe. This makes it more indispensable, and at the same time should make it easier, to promote a similar undertaking within the universal framework of the United Nations. Periodic meetings of Ministers could constitute the propitious framework where a measure of guidance and leadership for some important inter-governmental decisions relating to economic goals and policies for growth might be found. The time factor involved in the full development of a process of this nature is not to be overlooked. However, even in its early stages, the degree of co-operation implicit in it, both at the technical and at the policy levels, would, in itself, be highly beneficial.



One word of caution is necessary, for concern is sometimes expressed about dangers of economic planning. The concern is related to a variety of factors including the difficulties of forecasting, the risk that plans might introduce undue rigidity in the economic structure, that they might be over-ambitious and unrealistic or that they might be inconsistent with the maintenance of a vigorous private enterprise system. These matters are discussed both in the Programme Appraisal 1959-1964 and in the World Economic Survey, and it emerges clearly from these documents that the formulation of long-term economic goals and policies, far from introducing economic rigidity, may in fact impart a high degree of flexibility and adaptability to the economic structure, provided that the task is approached in a pragmatic fashion and that objectives and policies are kept under constant review: nor does this approach entail in itself any change in the basic political or institutional concepts of any country; in particular, it is not inconsistent with the expansion of private enterprise, as the recent experiences in a number of industrial countries such as Japan, Italy and France clearly show. Finally, consultations on long-term objectives and policies should not be mistaken for world economic planning. It is implicit in the Charter that each country shall give its own meaning to the objectives of full employment, economic growth and price stability, in accordance with its own economic resources, its social and political institutions and its cultural traditions. Consultations are only a means of arriving at a more effective and realistic formulation of these objectives and of the policies necessary for their attainment.

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As the concepts of "balanced growth" and "economic goals" increasingly enter in the fabric of national policies within individual governments, they cannot fail to influence United Nations' attitudes in regard to the pattern of the world economy and the formulation of international policies pertaining to trade and aid.

### International Trade

The concept of international division of labour, which at times fell into disrepute because of its association with colonial policies, is now gaining new favour, as under-developed countries realize that it is not necessarily contrary to their industrialization or the diversification of their economies, nor to their desire for economic independence, and as nations with centrally planned economies give increasing attention to considerations of comparative costs. International division of labour is nowadays understood not only in terms of static gains derived from the allocation of resources in accordance with comparative advantages, but even more in terms of the dynamic gains resulting from improvement in productive efficiency.

This is quite clearly one of the major motivations behind the drive for regional integration, whether in western Europe, in eastern Europe or in Latin America. It is notable, however, that this drive is regional rather than universal and that it is spearheaded by countries with an advanced or with a rapidly developing industrial base. Although a number of under-developed countries find advantages in one or the other of the existing or prospective preferential systems, others find themselves much less comfortable in regard to these arrangements.

Among the most notable of the recent efforts at regional integration is the establishment of the Latin American Free Trade Association that took place earlier this year when seven Latin American countries signed the Treaty of Montevideo. While obligations under the Treaty are limited to the liberalization of current trade, the signatory States express, in the Preamble to the Treaty, their determination "to persevere in their efforts to establish gradually and progressively a Latin American Common Market." Since the north of the Latin American region is represented among the participating countries as well as the south, the Treaty is more than a sub-regional grouping of the Latin American countries; it will, moreover, be open to accession by the other Latin American States. This event represents a most important new departure in efforts to promote economic development in the area, based on the conviction among the signatory countries that, to quote again from the Preamble, "the expansion of present national markets,

through the gradual elimination of barriers to intra-regional trade, is a prerequisite if the Latin American countries are to accelerate their economic development process in such a way as to ensure a higher level of living for their peoples." Similar considerations are inspiring the attempts of the Central American countries to reach agreement on an integrated approach to their development problems.

It is a matter of satisfaction that these efforts have largely taken place under the aegis of the United Nations through the medium of its Economic Commission for Latin America. This is a precedent which should not be lost sight of, as trends toward closer intra-regional relationships assert themselves in other parts of the world, notably in Africa.

Apart from regional integration, activity in the field of international trade centres around the GATT and the International Monetary Fund which are especially concerned with reducing the barriers to international trade and payments. The GATT already has much to its credit in the achievement of a multilateral reduction of tariffs, and the International Monetary Fund has similarly contributed towards freeing most of world trade from arbitrary exchange restrictions and discriminations. The statistics of post-war world trade give evidence of the excellent achievements of these and other institutions in helping to clear away innumerable barriers to the expansion of international exchanges. Yet the record is far from even. Trade between the centrally planned economies and those based on private enterprise remains small, partly for economic reasons, but partly also on political grounds. In this respect, a separate document submitted to the Council examines the conceptual difficulties involved in the possible equivalence of principles between the GATT rules and the Eastern European system of trade. Important work has been undertaken over the years within the Economic Commission for Europe, work which is of interest to the world as a whole. It is believed that this question should be further explored by experts until the time appears appropriate for a confrontation at the governmental level.

Even more striking, since the factors are exclusively economic, is the lag in trade between the advanced and the under-developed countries, especially exporters of agricultural products. In this lies perhaps the

major obstacle to a well integrated world economy and it is from this point of view that governmental policies and attitudes towards international trade should be examined. Their orientation appears to have been shaped more largely by the static concepts of the pre-war world than by the post-war objectives of economic development. In this area, at least, international activity continues to focus more upon questions of equity and general reciprocity -- upon the elimination of arbitrary trade restrictions, discrimination and dumping -- than upon the more fundamental needs for expansion of world trade in the interest of economic development. Granted that the GATT contains a number of important provisions recognizing the special needs of the under-developed countries, it still remains true that even these provisions relate primarily to the establishment of appropriate standards for the institution of controls upon trade -- whether they relate to national restriction of imports in support of economic development programmes or to the formulation of international agreements for the stabilization of commodity prices. Yet, important as such measures may be for the under-developed countries, it may be asked whether they are sufficient to take into account what is perhaps the most vital consideration relating to trade and economic development. Expansion of trade is essential to under-developed countries, not merely because of the benefits to be derived from international specialization -- until they have succeeded in diversifying their economy, their lopsided specialization in only one or two export commodities holds risks which may at times be incommensurate with any such gains. For these countries an expansion of trade is essential because it provides the key for the acceleration of economic growth without inflation

and without balance of payment difficulties. The significance of such trade is that it furnishes the most generalized form of purchasing power, thereby permitting under-developed countries to overcome through appropriate imports the limitation on growth stemming from the rigidities of their structure of production. Viewed in this context, much the most important problem in world trade would appear to lie in the lag of world demand for most primary commodities in relation to the rate of growth in the advanced industrial countries. Because this lag -- examined at length in the World Economic Survey, 1958 -- remains a central feature of world trade, the rate of economic development of under-developed countries continues to be adversely affected. Because of this lag, it is inevitable for import restriction to occupy a prominent place in the development programmes of under-developed countries, not because of any predilection towards autarky but only because of the need to avoid insolvency.

Many of the factors affecting world import demand for primary products lie outside the sphere of international public policy. Such factors include the relative shift in output as between countries, or the shift in the structure of production in favour of services and of durable goods with a relatively low input of primary materials. Other elements, such as economies in the use of raw materials, stemming from technological advance, it would not be in the long-run interests of the world economy to retard; the world as a whole can only gain from savings in input per unit of output, whether the savings are in manpower, equipment or raw materials. One range of factors, however, has rightly been singled out by a panel of experts appointed

by the GATT as an appropriate area for international policy formulation. This relates to the effect upon import demand of industrial countries stemming from their policies affecting foreign trade, whether for revenue or for protective purposes. To the extent to which it might prove feasible to relax such policies of the industrial countries in the interests of promoting exports of under-developed countries, whether it be primary products or the output of newly established manufacturing industries, it would be possible to make a significant contribution to their economic development and to the economic integration of the world community.

In the national sphere, countries have learned that a dynamic economy is capable of solving problems of equitable distribution of income that in a static framework might only give rise to a fruitless struggle. At the regional level, likewise, many countries are acting to secure the benefits that may come from lowering of trade barriers and increasing the degree of economic integration. The time has perhaps come when the United Nations should consider whether concerted action for the expansion of international markets for exports of under-developed countries might not bear similar fruit. If so, the question of defining meaningful goals for such expansion might well be included in the formulation of international objectives for the development of the world economy.

Related to the problem of the long-term lag in trade of primary products is that of the violent short-term fluctuations in both volume and prices. The causes of the instability, its effect upon the internal stability and development of the under-developed countries, and the national and international policies for dealing with instability have been examined at length in the World Economic Survey, 1958. The subject is a major item on the work programme of the Commission on International Commodity Trade (CICT), whose report is before the Council, and it has been repeatedly examined both in the Council and the Assembly. The replies to a questionnaire circulated to Governments during the past year show that for the most part Governments continue to believe that the most appropriate method for dealing with the problem of stabilization is on a commodity-by-commodity basis. Renewed

interest has developed, however, in some proposals for general stabilization measures, and even more in measures for offsetting the effects of fluctuations in trade in primary products by more systematic action for compensatory financing. This problem which is also being examined in the CICT, will be the subject of an intensive investigation by a Committee of Experts to be appointed by the Secretary-General under General Assembly resolution 1423 (XIV). It is, of course, possible that the Council will not wish, at this stage, pending completion of the work of the experts, to give overall policy guidance on this point. On the other hand, statements of governmental positions and attitudes may assist in ensuring that the experts deliberate in the full knowledge of political realities. In any case, in view of the marked weakness in commodity trade in 1957/58 and the failure to achieve a strong recovery in prices in the course of the general upsurge of economic activity in 1959, it is clear that the problem of commodity instability will call for continued patient and sympathetic consideration in the United Nations.

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### International assistance

It is in the field of public international aid that post-war policies have proved most dynamic. Though one may still question the magnitude and modalities of present programmes, assistance from governmental or inter-governmental sources has come to be accepted as a durable element of great importance in the world economy. It is a major channel for the dissemination of technology, the transfer of savings and the propagation of growth; in almost all the under-developed countries, it provides, quantitatively and qualitatively, a significant component of development plans. At the same time, it has brought with it new problems: for some of the major industrial nations it represents commitments which, at times, decisively affect their balance of payments position. The readiness with which this new element has been incorporated in international policies testifies to a remarkable resiliency in attitudes. Moreover, as will be shown in the report on international economic assistance to the under-developed countries (E/3395), policies relating to international aid seem to be under constant examination with

a view to making them more effective and better adapted to the varying and changing requirements of the developing countries.

Studies and debates in the United Nations have significantly contributed to the elucidation in theory, and the initiation in practice, of programmes of international aid, and many Governments remain desirous to see the Organization further develop its action in this field. This is to be explained by the specific nature of the co-operative venture which can be undertaken in a universal agency of equal nations, where the distinction between donors and receivers tends to dissolve itself. Over the years, debates have shown that, because of this particular feature, a great number of Governments felt that the resources entrusted to the United Nations agencies for aid purposes were far from adequate. While schemes long discussed for the creation of a capital fund within the United Nations remain a matter of controversy, a consensus of opinions might be reached on a certain broadening of the present United Nations rôle. In this respect, proposals are being made to this session of the Council motivated by the need to keep pace with the emergence of a number of new countries into independence, and their expectation of the kind of services which are to be found within the Organization. But, quite apart from these special historic circumstances, certain consequences must logically follow from the growing recognition of the importance of United Nations action particularly in the pre-investment field. As long as doubts remain about the capacity of developing nations to absorb capital, there should be no hesitation in fostering, to the maximum extent, those activities which now take place under the Technical Assistance and Special Fund programmes and which aim at transforming latent opportunities for investment into actual opportunities. The figure of 100 million dollars had been mentioned more than two years ago in resolutions of the Assembly and the Council as a reasonable target for such activities under prevailing conditions and this figure may very well be considered too modest under present circumstances. It may be a matter of legitimate concern that pledges worked out individually have not proved adequate to build up the total which represents the collective judgement. Such are, of course, the hazards of voluntary programmes, but it is hoped that the intensification of inter-governmental consultations now



advocated in organs where the major donor countries meet, will be more fully used to adjust individual efforts to global requirements.

Over the years a remarkable phenomenon has taken place without perhaps attracting sufficient attention: born as an instrument for multilateral diplomacy, the United Nations has grown into an operational agency of significant dimensions. Theoretical knowledge and practical experience have accumulated, technical services have developed to a point where the machinery is now capable of a greater and more diversified performance than that which is currently entrusted to it. In particular there is no inherent obstacle or weakness which would prevent the Organization from playing its part in the field of capital investment. This would appear possible even without new institutional developments such as SUNFED, provided the present potentialities of the United Nations as an executive agency are fully recognized. Whether Governments, for general reasons, desire to associate the United Nations with their assistance efforts, or find it convenient to use the network of regional and functional organs and agents for the initiation of specific projects, or regard the Organization as a focal point for joint enterprises involving several nations, there is now no real reason why the services at the disposal of the United Nations should not be used more readily, even beyond the pre-investment field. If the Organization were to act as an agent or intermediary for specific projects, this would only be a logical development of present activities, one without which these activities would not always achieve their full meaning. There is of course nothing in the present rules and regulations which would constitutionally prevent such development from taking place and experience already gained under the schemes for the development of the Lower Mekong basin illustrates the type of arrangement which can be devised. But official encouragement on the part of inter-governmental bodies might greatly assist in the development of this new function.

It is also probable that the need will be increasingly felt for more systematic information on aid activities if the waste or misdirection which may result from many unrelated initiatives are to be avoided and if opportunities for investment are to be at all times known to potential aid-giving governments. It should be noted that facilities of a clearing-house

type exist, in a limited way, for South-East Asia, under the Colombo plan and that they appear to have worked to the satisfaction of all concerned. Possibilities for this kind of action are inherent in the structure of the United Nations. They would be just a further development in the function of consultation, as applied to the problem of aid. They might be particularly useful for the continent of Africa, under the aegis of the Economic Commission for that region, as relationships of African countries with the rest of the world become diversified, and as new sources of assistance become available. This seems to have been what the Governments assembled in Tangier for the second session of the Economic Commission for Africa had in mind when they adopted a resolution expressing the view "that the Economic Commission for Africa should play an important role in the consideration of any new proposals that may be made for multilateral economic and financial assistance to Africa."

#### The Flow of Private Capital

With the recognition of public aid as a major instrument in international co-operation for the building of the economic and social infra-structure of the under-developed countries, controversies which have at times centered around the role of private capital, its scope and its limitations, have tended to recede. In fact the success of the programmes of public foreign investment has not restricted, but rather contributed to expand the opportunities for an increasing flow of private capital.

The most recent studies undertaken by the Secretariat show encouraging signs of greater flexibility as regards the forms and objectives of foreign investment. In the less-developed countries, many types of foreign-financed manufacturing industries are springing up alongside the traditional investments in natural resources and public utilities. This tendency also responds to definite policies whereby governments of under-developed countries seek to direct a scarce supply of foreign private capital into those particular fields of activity in which they are likely to provide the strongest impetus

to the development of the national economy. In addition to special concessions and assistance offered to investors in such priority industries and locations, governments are increasingly turning to programmes of investment promotion which range from the provision of information on local investment conditions to the identification and preparation of specific investment projects likely to meet both the requirements of foreign investors and those of national development policy. Foreign private capital is frequently supported by public financing from domestic or international sources.

The variety in the forms of foreign private investment is highlighted by the increasing resort to joint ventures and consortia for the pooling of foreign and domestic capital, management and techniques. Access to scientific information and its adaptation to the needs and conditions of under-developed countries are essential prerequisites for rapid development in decisive areas of industry, especially for growth firms, in the chemical, electronics, pharmaceutical and plastics fields. Major firms in advanced countries, which specialize in product development, now find it advantageous to expand their markets by "investing" their scientific know-how as partners or licensors in industrial enterprises of under-developed countries. Training facilities for engineers and research technicians are also being made available in foreign enterprises and the United Nations technical assistance programme is active in developing the use of such facilities.

The question very naturally arises whether the readiness of foreign enterprises to invest abroad could not be enhanced by measures limiting the non-business risks involved. The elimination of the so-called political risks, whether these are real or apprehended, is currently the subject of extensive deliberations in many parts of the world. A number of governments have already taken action in this respect, especially through the introduction of guaranty schemes for the insurance of their investors against loss of foreign assets, in particular through nationalization or foreign exchange restrictions. Numerous other national and international schemes for the protection of foreign investments on terms which would be acceptable to the capital-importing countries are currently under consideration. Interest

in particular is shown for measures designed to assure the investor of an independent recourse in disputes with the Government of the country in which he has invested. Such recourse would chiefly take the form of an international arbitration.

There is considerable precedent for the arbitration of disputes arising in connexion with foreign private investments. Provisions to that effect are increasingly found in bilateral agreements to which some of the major capital-supplying countries are parties, as well as in investment promotion laws of developing countries and in individual concession agreements concluded between Governments and foreign companies. While arbitration under treaties requires action by the investor's home Government, in the other cases, the procedure can be initiated and carried forward by the investor himself.

Recent debates in the Council show that while there was some hesitation on the part of certain States, further exploration of the matter was considered worthwhile. In this respect, it should be noted that in the question of commercial arbitration, the United Nations has been able to initiate useful action as exemplified by the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and one should not exclude the possibility that some facilities if only of a modest nature for international arbitration in matters of foreign investment might develop under the aegis of the Organization, or linked with the Organization.

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Policies of growth, international trade and aid, the flow of private capital, although they are far from exhausting the list of responsibilities of the United Nations and the specialized agencies in the economic and social field, are all important topics on which a greater measure of understanding appears at once desirable and, in varying degrees, possible. They are important in their own right, in terms of human welfare. They are also related to the other, and major objective and criterion of United Nations action, the preservation of peace. Obligations assumed by Members of the United Nations under Article 55 of the Charter are expressly aimed at "the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations...". An essential link is thereby established, and with a background of persisting world tensions, Member Governments might well find in it an additional and powerful incentive for strengthening the Organization in those fields where the road to progress appears open and, indeed, promising.