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ECONOMIC COMMITTEE

SUMMARY RECORD OF THE ONE HUNDRED AND THIRTY-NINTH MEETING

held at the Palais des Nations, Geneva,
on Friday, 31 July 1953, at 5 p.m.

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Joint draft resolution submitted by the delegations of Australia, Cuba, Egypt, India, the Philippines, the United States of America and Yugoslavia.

- (b) Report of the International Bank for Reconstruction and Development on the question of creating an International Finance Corporation (Council resolution 416 C (XIV), General Assembly resolution 622 B (VII)) (E/2441):

Draft resolution submitted by the delegation of India and amendments thereto.

Present:Chairman: Mr. B. N. SEN (India)Members:

Argentina	Mr. BUNGE
Australia	Mr. CORKERY
Belgium	Mr. MASOIN
China	Mr. CHA
Cuba	Mr. RIBAS
Egypt	Mr. el TANAMLI
France	Mr. LEGATTE
India	Mr. ADARKAR
Poland	Mr. BLUSZTAJN
Sweden	Mr. STERNER
Turkey	Mr. KURAL
Union of Soviet Socialist Republics	Mr. MOROZOV
United Kingdom of Great Britain and Northern Ireland	Mr. WARNER
United States of America	Mr. ASHER Mr. WYNNE
Uruguay	Mr. MALET
Venezuela	Mr. UZGATEGUI-RAMIREZ
Yugoslavia	Mr. MATES

Observers:

Indonesia	Mr. KHOUW BLAN TIE
Syria	Mr. FARID el LAHHAM

Representatives of specialized agencies:

International Labour Organisation (ILO)	Mr. RICHES
Food and Agriculture Organization (FAO)	Mr. McDOUGALL
International Monetary Fund (IMF)	Mr. WILLIAMS

Representatives of non-governmental organizations:Category A

International Confederation of Free
Trade Unions

Miss SENDER

International Federation of Christian
Trade Unions

Mr. EGGERMANN

Category B and Register

Catholic International Union for
Social Service

Miss HERTOGHE

International Federation of Business
and Professional Women

Miss PICKARD

International Federation of University
Women

Mrs. NANTET de SERRANT

World Assembly of Youth

Mr. MOIR

World Union for Progressive Judaism

Mr. RONALDS

Secretariat:

Mr. Blough

Principal Director, Department
of Economic Affairs

Mr. Dumontet

Secretary to the Committee

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES (item 3 of the Council's agenda)
(continued):

- (a) Report on a Special United Nations Fund for Economic Development, submitted by a Committee appointed by the Secretary-General (Council resolution 416 A (XIV), General Assembly resolution 622 A (VII)), (E/2381) (concluded):

Joint draft resolution submitted by the delegations of Australia, Cuba, Egypt, India, the Philippines, the United States of America and Yugoslavia

Mr. ASHER (United States), introducing the joint draft resolution proposed by Australia, Cuba, Egypt, India, the Philippines, the United States and Yugoslavia,⁽¹⁾ said it had been prepared after a frank and co-operative discussion between the participating delegations; it was intended to supersede the original United States draft resolution and all the amendments submitted thereto.⁽²⁾

Speaking on behalf of the United States delegation alone, he expressed appreciation of the spirit in which its original draft resolution had been received. While the new joint text no longer included the statement that the further refining of the proposed scheme would be premature in the absence of circumstances conducive to its realization, that was still the position of the United States Government. Since, however, a number of delegations believed it would be right to refer the question to the General Assembly for consideration, his delegation had agreed to that recommendation and withdrew its draft resolution in favour of the joint text now presented.

Mr. MATES (Yugoslavia) shared the United States representative's satisfaction at the spirit of co-operation and the friendly and frank discussions which had resulted in the joint draft resolution. He believed the new text, if adopted, would represent an advance while not overstepping the bounds set by previous resolutions and leaving questions which had been matters of controversy to the General Assembly.

The joint draft resolution was adopted by 15 votes to none, with 2 abstentions.

(1) For text, see Annex I to this summary record.

(2) For texts, see E/AC.6/SR.138, Annex, parts I, II and III.

- (b) Report of the International Bank for Reconstruction and Development on the question of creating an International Finance Corporation (Council resolution 416 C (XIV), General Assembly resolution 622 B (VII)) (E/2441)

Draft resolution submitted by the delegation of India and amendments thereto

In reply to a question from Mr. GORKERY (Australia), the CHAIRMAN proposed that the Committee should hold a general discussion on the Indian draft resolution⁽¹⁾ and the joint amendment proposed by Australia, Belgium, the United Kingdom and the United States⁽²⁾ but that the vote should be deferred to a later meeting.

It was so agreed.

Mr. WYNNE (United States of America) said his Government had not yet reached a definite conclusion upon the merits of the proposal for an International Finance Corporation and, consequently, his delegation would not at present be able to subscribe to any resolution which explicitly or implicitly indicated that it favoured steps leading to the establishment of such a corporation. The proposal was one which his Government had under consideration together with various other proposals to stimulate the international flow of private capital. He believed that the delegations sponsoring the joint amendment shared his view that the proposal raised a number of problems which required far more searching examination, including some relating to the basic purposes, functions, and potential usefulness of the proposed corporation. The two reports so far prepared by the International Bank, while being useful contributions, left many important issues in need of further exploration, a number of which were indicated in the second of the reports. It therefore appeared to the sponsors of the joint amendment both premature and undesirable to ask the Bank to undertake to draw up a detailed plan at the present juncture. They were prepared to ask the Bank to continue its studies of the proposal; and the primary difference between them and the Indian delegation related to the form those studies should take. The paragraphs numbered 3 and 4 in the joint amendment proposed that instead of preparing a detailed plan, studies should be directed to the clarification and analysis of the basic questions still outstanding. That was felt to be a more useful approach, and he hoped the amendment would command wide support.

(1) For text, see Annex II to this summary record.

(2) For text, see Annex III to this summary record.

Mr. VAN GELDEREN (Belgium) stated that in the course of the amendment he wished to highlight the fact that the draft resolution contained no explanations. Since the Belgian delegation would be revisiting the issue at an ordinary session of the Council⁽¹⁾ the fact that the draft resolution did not refer to establishing an International Finance Corporation, the World Bank could not be regarded as a delaying tactic, so far as his country was concerned.

His delegation wished the International Bank not only to continue its study of the proposal for an International Finance Corporation, while retaining full freedom to propose whatever guiding principles for future action it saw fit, but at the same time to pursue its consultations with governments, a course which would make it possible to judge how realistic the proposal was and also to hasten its implementation, should the Bank's findings be favourable.

The Indian draft resolution, on the other hand, did not cater for those considerations. In the first place, the text of paragraph 2 of the operative part was too restrictive in its definition of the role of an International Finance Corporation. Another defect in the draft resolution was the fact that it made no reference to consultation of governments.

For these reasons the Belgian delegation, in its desire to make a positive and realistic contribution to the scheme for creating an International Finance Corporation, had joined with the delegations of Australia, the United Kingdom and the United States in submitting the amendment to the Indian delegation's text.

Mr. ADARKAR (India) agreed that there was much common ground between his delegation's position and that of the sponsors of the joint amendment. He understood that many governments had not yet made a decision on the issue and could not commit themselves at that stage. The Bank's report indicated that, while without exception the representatives of the less developed countries favoured the proposal, the representatives of almost all the highly developed countries reserved judgment on it; and the criticisms that had been raised were largely due to the vagueness and inconclusiveness of the report. While not expecting that a plan

(1) See summary records of the 728th and 730th meetings (E/SR.728 and E/SR.730).

could be finalized at the moment, he believed a much deeper analysis and a more precise formulation of the arguments on both sides were essential to help governments to reach a decision. He fully agreed therefore that more study was necessary and the only outstanding difference between his delegation and the sponsors of the joint amendment was on the question of the publication and distribution of the study when made. The problem should not only be studied by the Bank; the results of the Bank's studies should be put to practical purpose. He would be glad to accept all the amendments, except that in the third paragraph proposing a text in substitution for paragraph 2. He had no objection to the text proposed, but thought it should be in addition to and not in substitution for his own paragraph 2. He hoped the sponsors of the joint amendment would have understanding for that point of view, and believed that with a very slight rewording complete concord could be reached.

Mr. STERNER (Sweden) thought there was not a very wide gap between the two points of view. As far as the Indian position was concerned he believed it would serve a useful purpose for a more detailed plan to be prepared in readiness for the time in the future when circumstances might permit of the foundation of an International Finance Corporation. On the other hand, more spadework perhaps was needed before it would be worth-while drawing up a complete and detailed plan. He hoped another effort would be made to find a text which both parties could accept.

Mr. UZCATEGUI-RAMIREZ (Venezuela) warmly supported the Swedish representative's suggestion that a further effort be made to reach agreement. In that expectation, he would suggest the desirability of inviting the Bank to express its own opinion on the proposal to establish an International Finance Corporation.

Mr. WARNER (United Kingdom) said that, while he had no objection to a further attempt to find a joint text, he would not be able to agree to any formula urging the Bank to make at that stage a detailed plan for a hypothetical situation. To do so before it was known that a number of governments were willing to advance capital would be to arouse false hopes. He would not be in favour of inviting the Bank to express views on the opportuneness of such a fund.

Mr. WYNNE (United States of America) said that, if the only point at issue was the question of publication of the results of the Bank's studies, he

could assure the Indian representative that he had no objection whatever to publication, and the joint amendment did not propose to change in any way paragraph 3 of the operative part of the Indian resolution. But he still thought there was an unresolved difference of view concerning the form the study should take, and that difference would not be resolved by maintaining both the formula of a study and analysis and that of a detailed plan. He and his co-sponsors were convinced that at the present stage the only realistic approach was a study of broad and basic questions on which governments and the public needed more information before they could reach any judgment, and not the formulation of a concrete plan.

The CHAIRMAN suggested that agreement might be reached by dropping the word "plan", which seemed to be the stumbling-block, and concentrating on the concept of evaluation and analysis.

Mr. ADARKAR (India) was glad to know that there was no difference on the question of the circulation of the document when prepared. He thought some such expression as "more detailed analysis" would meet the views of his delegation, which would hope that such analysis would go so far as to give the answers to some of the questions and fears that had been raised.

Mr. CORKERY (Australia) said his delegation would be very willing to join in a new effort to reach agreement.

On the suggestion of the CHAIRMAN, it was agreed that the Indian delegation and the co-sponsors of the joint amendment should meet the following morning in an endeavour to find an acceptable text for presentation to the Committee at its next meeting.

The meeting rose at 6 p.m.

ANNEX I

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES (item 3 of the Council's agenda)

- (a) Report on a Special United Nations Fund for Economic Development, submitted by a Committee appointed by the Secretary-General (Council resolution 416 A (XIV), General Assembly resolution 622 A (VII)) (E/2381)

Joint draft resolution submitted by the delegations of Australia, Cuba, Egypt, India, the Philippines, the United States of America and Yugoslavia

27 July 1953

The Economic and Social Council,

A

Having taken into consideration the document entitled Report on a Special United Nations Fund for Economic Development (E/2381), prepared by a Committee appointed by the Secretary-General pursuant to resolution 416 A (XIV),

Having in mind General Assembly resolutions 520 A (VI) and 622 A (VII) requesting the Economic and Social Council to submit to the General Assembly a detailed plan for establishing, as soon as circumstances permit, a United Nations Fund for the financing of economic development of under-developed countries:

1. Expresses its great appreciation to the Committee for its work;
2. Transmits the Report of the Committee to the General Assembly, together with the pertinent records of the sixteenth session of the Council;
3. Recommends that the General Assembly consider, in the light of the Report of the Committee (E/2381) and the records of the sixteenth session of the Economic and Social Council, what other preparatory steps might usefully be taken toward the establishment, when circumstances permit, of an international fund designed to assist development and reconstruction of the under-developed countries.

B

Desirous of strengthening the United Nations in its mission of guarding the peace and security of all peoples and of making the United Nations a more effective

institution for the promotion of higher standards of living and of conditions of economic and social progress and development in under-developed countries,

Looking forward to the time when sufficient progress in internationally supervised world-wide disarmament will make it propitious to devote additional resources to assist development and reconstruction, particularly in the under-developed countries,

Recommends that Governments consider joining, at the eighth session of the General Assembly, in the following draft declaration:

"We, the Member Governments of the United Nations, in order to promote higher standards of living and conditions of economic and social progress and development, stand ready to ask our peoples, when sufficient progress has been made in internationally supervised world-wide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in under-developed countries."

ANNEX II

- (b) Report of the International Bank for Reconstruction and Development on the question of creating an International Finance Corporation (Council resolution 416 C (XIV), General Assembly resolution 622 B (VII)), (E/2441)

Draft resolution submitted by the delegation of India

13 July 1953

The Economic and Social Council

Having considered the report of the International Bank for Reconstruction and Development on the question of creating an International Finance Corporation (document E/2441),

Convinced that before proceeding further it is essential to have a more detailed plan, so as to enable the various interests concerned to make a more concrete approach and particularly so as to meet criticisms and questions which have been raised, the preparation of such a detailed plan being at this stage without any definite commitment either on the part of the Bank or other interests concerned,

1. Commends the Bank for the useful contribution it has made to the study of the question;
2. Requests the Bank to prepare, in the light of the study already made, a more detailed plan for establishing as soon as circumstances permit, an International Finance Corporation to finance productive private enterprise in the under-developed areas through equity investments and through loans without government guarantees;
3. Further requests the Bank to report on the progress made in this respect to the Economic and Social Council at its seventeenth session.

ANNEX III

Joint amendment proposed by the delegations of Australia, Belgium, the United Kingdom and the United States of America to the Indian draft resolution contained in Annex II.

20 July 1953

1. In the first paragraph, insert before "report" the word "further"; also substitute for "question of creating" the words "proposal for."
2. After the first paragraph insert the following:

"Noting that the Bank intends to continue to explore the question with its member governments."
3. Substitute for the second paragraph the following:

"Believing that it would be useful for the Bank to continue its study of the IFC proposal with a view to clarifying and analysing the questions that have been raised and the different points of view that have been expressed with regard to the merits of the proposal and the basic purposes and functions of the proposed institution".
4. Substitute for paragraph 2 of the operative section the following:

"Requests the Bank to continue its study of the proposal for an International Finance Corporation, particularly along the lines mentioned above, as well as its exploration of the matter with its member governments, and in so doing to take into account the comments on the Bank's further report during the sixteenth session of the Council."
5. In the first line of the last paragraph read "these respects" instead of "this respect."