



ECONOMIC AND SOCIAL COUNCIL

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Twenty-fourth Session

OFFICIAL RECORDS

PALAIS DES NATIONS, GENEVA

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President: Mr. M. MIR KHAN (Pakistan).

Present:

The representatives of the following countries: Argentina, Brazil, Canada, China, Dominican Republic, Egypt, Finland, France, Greece, Indonesia, Mexico, Netherlands, Pakistan, Poland, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Bulgaria, Chile, Czechoslovakia, Federal Republic of Germany, Hungary, Iran, Israel, Italy, Japan, Spain, Switzerland.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund.

Message of sympathy to the Government and people of Mexico

1. The PRESIDENT expressed the Council's sincere and deep regret at the tragic loss of life and destruction of property which had occurred in Mexico as a result of the earthquake on the morning of 28 July, and asked the representative of Mexico to convey the sympathy of the Council and the Secretariat to the Government and people of Mexico.

AGENDA ITEM 6

Financing of economic development (E/2961 and Corr.1 and Add.1, E/2999, E/3021, E/L.764, E/R.1 and Add.1 and 2) (*continued*)

2. Mr. BRILEJ (Yugoslavia) observed that in all discussions in the Council and the General Assembly the question of international financing had been closely related to the problem of the balanced development of the world economy. His delegation firmly believed that adequate international financing was the key to the accelerated economic development of under-developed countries, and thus to the balanced growth of the world economy.

3. It had been repeatedly stressed and was generally recognized in the Council that the structural disequilibrium of the world economy was being further aggravated

by the widening gap between the developed and under-developed countries. It was clearly stated in the Introduction to the " World Economic Survey, 1956 " (E/2982), among the main conclusions emerging from an analysis of the changing structure of world demand, that if they were to keep their import demand in balance with the world demand for their expert goods, many under-developed countries would have to grow at a slower rate than the industrial countries. In such conditions, external balance would produce an ever-growing gap between the levels of living of under-developed and developed countries. In addition, his delegation would draw attention to a further factor which should be kept in mind when considering the relationship between the economies of the under-developed and developed countries. That factor was the impending effect on world economic development of the dynamic power of contemporary technology.

4. The new technological revolution now in progress would not of itself promote a more balanced world economic development. Automation and nuclear energy, the two main achievements of contemporary technology, were already being applied in the developed countries on an ever-increasing scale, and in some cases startling increases in labour productivity had been achieved. In the production of radio sets in the United States of America two men could, thanks to automation, achieve the same output as 200 men a few years ago. In the United Kingdom, one oil refinery operated by six men was producing 25 million litres of petroleum products every day. The new techniques were, however, concentrated in the countries which already had the highest incomes, the largest capital formation and the highest labour productivity. As a result, those countries were being enabled to reduce their production costs and to expand mass production on an unheard-of scale, thereby increasing the difficulties of countries which were still striving towards over-all economic development. Modern technical advances were thus tending to widen the existing gap between the developed and less-developed areas, making it even more essential to undertake international action to close the gap, especially in the field of international financing. If the United Nations was not to become a passive bystander, it would have to take serious steps to assist the under-developed countries to accelerate their economic development in order to keep pace with the ever-increasing rate of growth in the developed countries.

5. The two reports by the Secretary-General (E/3021 and E/R.1 and Add.1 and 2) had confirmed his delegation's earlier view that results hitherto achieved in the field of international financing fell far short of the needs of the world economy, both in volume and in form, and that no essentially new tendencies were emerging.

6. It was true that the report on the international flow of private capital, 1956 (E/3021) might at first sight give the impression that some new trends had appeared, since it drew attention to an appreciable increase in private investments in 1956. However, while that increase should not be under-estimated, it was clear from the report that the post-war situation was essentially unchanged. There had been a further increase of foreign private investment in Canada and western Europe, and although direct United States investment in Latin America had reached a total figure of \$521 million in 1956, a large increase compared with 1955 (\$141 million), \$256 million of that total had been spent on the purchase of new oil concessions in one country alone, while a further sum of \$180 million, used for buying out a large British oil company, was simply a large-scale transaction between British and American capital. Thus, apart from investment in the oil industry, new private United States investment in the whole of Latin America had amounted only to \$90 million. Private United States investments in other under-developed areas, particularly in Asia and the Far East, had shown no marked increase at all. The flow of foreign private capital during 1956 had thus followed the general trend of the post-war decade.

7. Turning to the report on international economic assistance for the less developed countries (E/R.1 and Add.1 and 2), he said that his delegation wished to emphasize the importance it attached to the bilateral assistance extended by the United States of America to many countries, including Yugoslavia. That assistance, together with aid received from other countries, had been of great benefit, and bilateral aid advanced by the developed countries to the less developed ones had undoubtedly played a useful role in international financing.

8. The Secretary-General's report had drawn attention to the fact that the long-term loans and other forms of financing by the main western European countries had been concentrated primarily in their dependent territories. Moreover, as the Netherlands representative had pointed out at the 990th meeting, while the amounts given and lent to under-developed countries as a whole were impressive, it was clear that in some cases bilateral aid was prompted by motives different from those that governed aid under United Nations assistance programmes.

9. Financing of the type under discussion should contribute directly to the over-all economic development of under-developed countries, and should be based on the principles of the United Nations Charter. His delegation therefore continued to consider the Special United Nations Fund for Economic Development (SUNFED) to be the best instrument for meeting the needs of the under-developed countries and solving one of the most pressing problems of the world economy, and regretted that the steps necessary for its establishment had not yet been taken. The failure to establish it had been to some extent due to the desire of the under-developed and other countries supporting the project to achieve a unanimous decision on its establishment. Over a number of years, compromise resolutions had been unanimously adopted and, although those resolutions had in fact amounted to a postponement of the estab-

lishment of SUNFED, his delegation had accepted them in the belief that the few remaining countries which had not yet been able to make up their minds about the establishment of the fund should be given time to do so. However, the position of those countries was essentially unchanged and his delegation believed that further procrastination would torpedo the project, which was widely supported in the United Nations. Unanimity was important, but it would lose its meaning if it were reached for its own sake alone and failed to reflect the actual determination of States Members.

10. His delegation could not agree to recommend to the General Assembly that further studies of the matter be undertaken. At its present session the Council must either request immediate action or renounce an idea which, in his delegation's view, represented the only means by which the United Nations could effectively stimulate the development of under-developed countries and promote the balanced growth of the world economy. Of those two alternatives, his delegation would choose action, and urged that the Council recommend the Assembly to establish SUNFED and to take the necessary measures to that end. Once the General Assembly had taken such a decision, the various proposals concerning the operations of SUNFED could be taken into consideration. He had particularly in mind the valuable suggestions by the Argentine representative (990th meeting), and was gratified to note that they were not intended as a substitute for SUNFED. SUNFED might indeed provide a suitable framework for their realization.

11. In calling for the establishment of SUNFED, his delegation was motivated by its belief that national freedom and economic progress were two aspects of the same problem, of the same historical trend which was gathering momentum in the present-day world. That trend could not be reversed, and the main problem was to ensure that the efforts of the peoples of under-developed countries should contribute towards better political and economic relations. Just as the economic development of under-developed countries could not be separated from the problem of their political independence, so the question of world peace could not be divorced from the problem of improved world economic relations. Since the United Nations was primarily responsible for safeguarding world peace, it was also primarily responsible for promoting economic relations which might serve as a basis for lasting peace, and could not discharge one responsibility without discharging the other.

12. Mr. THAJEB (Indonesia) said that, although the governments of under-developed countries considered their national resources as the main source for financing economic development, those resources were manifestly insufficient to meet all requirements. The rates of capital formation in under-developed countries were too low, primarily owing to low income levels, to permit rapid economic development. In some countries, the existing rate of capital formation was in fact insufficient to arrest a steady decline in per capita income. The national efforts of the under-developed countries must therefore be supplemented by international co-operation through foreign trade, foreign aid, and foreign investment.

13. With regard to foreign trade, it was vitally important for the under-developed countries, most of which were heavily dependent on exports of primary commodities, to find some way, by means of international co-operation, to eliminate short-term fluctuations in primary commodity prices. His own country, which was the world's largest exporter of natural rubber, was particularly vulnerable to violent price fluctuations. According to the *Bulletin* of the International Rubber Study Group, the annual average price of rubber in the New York market had varied from 24.23 cents per pound in 1953 to 23.64 cents in 1954, 39.14 cents in 1955, and 34.17 cents in 1956, and a drop of 1 cent per pound meant a loss to Indonesia of foreign exchange income amounting to \$14,700 million. Such examples clearly showed that the stabilization of primary commodity prices on the lines suggested by the French representative in the Economic Committee would greatly assist many under-developed countries to finance their economic development from their own resources, by ensuring a steady flow of foreign currency earnings and eliminating the need for periodical revisions in development programmes. Unfortunately, however, the industrial countries, which played a dominant role in the demand for primary commodities, appeared not to be attracted by the idea of stabilizing primary commodity prices.

14. A second source of finance was foreign bilateral and multilateral aid in the form of grants, loans or technical assistance, which had already been of great value to under-developed countries. It was not to be expected, however, that such aid would be permanently available. Further, the amounts depended in most cases on annual appropriations in the budgets of contributing countries, a factor which made it difficult for governments of receiving countries to know to what extent they could depend on foreign aid in planning their development projects. Large as these sums seemed to be, spread over the existing population they would become very small, as indicated in table XXVII in document E/R.1 (following paragraph 137). For Indonesia, the assistance received was \$41,900,000 for a population of 78,200,000, which amounted to \$0.50 per capita. The figures for India and Burma were \$0.70 and \$0.90 respectively.

15. It was clear that the under-developed countries had little hope of financing their economic development through existing foreign investment facilities. In the past, no substantial flow of capital had been directed towards the development of under-developed countries either by the International Bank for Reconstruction and Development (Bank) or by private investment, and the pattern seemed unlikely to change. Nevertheless, his Government was determined to push forward with its development plans for social and political as well as for economic reasons, because as a national government it was committed to raise the people's standard of living. His delegation therefore urged the speedy establishment of SUNFED, which would afford substantial help to the United Nations towards bridging the gap between the capital requirements of the under-developed countries and the resources those countries were themselves able to provide.

16. The sum proposed for the initial establishment of SUNFED was modest. In terms of quality, however,

his delegation believed that SUNFED would come close to meeting the requirements which neither the existing international agencies nor the bilateral financial assistance programmes had yet been able to fulfil.

17. His delegation was convinced that it would be wrong once again to postpone a decision on the establishment of SUNFED simply from the desire to achieve unanimity within the Council, and that a final decision on the matter should be taken at once. It had, therefore, joined with the delegations of Argentina, Egypt, Greece, Mexico, the Netherlands and Yugoslavia, in submitting a draft resolution (E/L.764) urging the General Assembly at its twelfth session to decide to establish the fund and to take the necessary steps to that end. The main objectives of SUNFED were to enable the under-developed countries to lay the foundations of a better life, to lessen the distress and human suffering which arose from economic uncertainties and tension, and to assist in the creation of a stable society developed along democratic lines. That was a venture worthy of the United Nations, and his delegation hoped that the draft resolution would be adopted by the Council unanimously.

18. Mr. MICHALOWSKI (Poland) said that the problem of establishing a special United Nations fund for economic development of the under-developed countries was undoubtedly an inherently difficult one. The notion of "economic development" was very wide in scope, and had to be defined more precisely before the United Nations could give concrete terms of reference to an international body. Further, it was the first time that the United Nations had embarked on a scheme designed not simply to furnish aid in a single field of economic activity but to make provision for a more extensive long-term international investment project. It was no wonder that there had been some difference of opinion between governments on the establishment, role, structure and operation of SUNFED, and the *Ad Hoc* Committee, its Chairman and its Rapporteur were to be congratulated on their excellent supplementary report on the question of the establishment of a special United Nations fund for economic development (E/2999).

19. The technical difficulties had, moreover, been increased by the somewhat more profound difference of opinion as to the advisability of establishing SUNFED. At the General Assembly's eleventh session his delegation had directed attention to the fundamental issue, which was whether investment aid to under-developed countries should be bilateral or multilateral in character. The Secretary-General's report on international economic assistance for the less developed countries had supplied some significant information on that matter. For instance, during the past three years (1954-1956), economic assistance to some ninety-two countries and territories had amounted to approximately \$5,200 million, of which only some \$546 million had been furnished on a multilateral basis. If the \$90 million destined for Palestine refugees were deducted from that sum, the proportion of multilateral assistance to the total figure of assistance granted to less developed territories would be less than nine per cent.

20. In other words, during the past few years there had been a "bilateralization" of economic assistance to

those territories. That development was, in his delegation's view, unfortunate. The crucial point emerging from the Secretary-General's report was, however, that economic assistance to the less developed countries was extremely small. For some forty-nine of the ninety-two territories the assistance provided during the three-year period had amounted to not more than \$3.60 per annum per head of population, and for other less developed territories it was probably even lower. Moreover, the geographical distribution of the assistance had clearly been determined by considerations other than purely economic ones. Of approximately \$4,600 million of assistance granted to less developed territories on a bilateral basis, \$1,800 million (about 39 per cent) had been provided by colonial Powers for their present or former dependent territories or for territories where they still possessed certain economic interests. The considerable scale of such assistance indicated that the reasons for its distribution had not always been purely economic.

21. His delegation did not oppose the principle or practice of bilateral assistance which was, as his country well understood, often beneficial and reasonable. The disadvantage of bilateral assistance to less developed countries was that it was not as a rule distributed in accordance with over-all economic considerations, and so did not contribute to the development of a sound and balanced world economy.

22. Foreign investment in economic development was, in his delegation's opinion, an important international undertaking which had a vital role to play in bridging the gap between levels of living and rates of growth of various parts of the world. Although the substitution of multilateral for bilateral assistance would be a long and difficult task, in which non-economic factors would play an important part, it was a task that must be undertaken by the United Nations, and the Council should make every effort to set the process in motion. Statistics showed that the present level of external financing was about \$1,700 million per annum, which roughly corresponded to the annual world capital exports figure. In other words, foreign investment in economic development, although clearly inadequate, was nevertheless an extremely important element in international capital movement, and in his delegation's view, every effort should be made to direct the movement of capital in such a way as to re-establish the lost balance of the world economy.

23. In that respect, SUNFED might make an important contribution. He did not wish to question the needs of countries which received bilateral assistance from various Powers, but he had doubted whether that assistance contributed as much to the future growth of their economies as it did to the satisfaction of their immediate consumption needs. As far as the capitalist world was concerned, the main problem was to promote the more speedy and balanced growth of almost one hundred countries and territories, with a total population of more than 1,000 million, and to fit them into a balanced and growing world economy as sound and economically viable elements. In the best possible interests of those under-developed countries at least some economic notions of a more far-reaching character should govern the distribution of economic assistance.

24. Turning to the supplementary report of the *Ad Hoc* Committee (E/2999), he observed that all the objectives, functions and operations of the proposed special fund, as set out in section 1 of part I, had a purely economic and, what was more, a long-range character. Their variety, as included in that section, should not give rise to any concern, since they had been suggested by nearly fifty governments which had expressed their views in pursuance of General Assembly resolution 923 (X) at a time when there had been no clear understanding of the real aims of the fund. In any case, the majority of governments consulted were in favour of concentrating the fund's resources on the single objective of financing infrastructure investment in the less developed countries. When the final drafting of SUNFED's statute was undertaken, agreement would easily be reached on the concentration of operations in two or three main fields.

25. His delegation considered that economic assistance to less developed countries represented such a substantial proportion of total international capital movements that its role in the wider problem of the balanced growth of the world economy could not be overlooked and that an initial step towards the substitution of multilateral for bilateral assistance should be taken by establishing SUNFED. After the long preparatory work already undertaken, there should be no major difficulties in drafting the final statute of the organization.

26. His delegation would therefore support the draft resolution introduced at the 990th meeting by the Netherlands representative (E/L.764).

27. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) said that his delegation's attitude to the establishment of SUNFED was perfectly clear. First, his Government supported the idea of the establishment of the fund. Secondly, it believed that all the great Powers, including the United States of America, the United Kingdom and France, should participate in the fund. Thirdly, it held that the fund might well be established before a decision on disarmament had been reached. Fourthly, it was itself prepared to participate in the fund.

28. His delegation would support the joint draft resolution and hoped that it would be adopted by the Council unanimously.

29. Mr. DONOSO-SILVA (Observer for the Government of Chile), speaking at the invitation of the PRESIDENT, remarked that for several years past the Council had been concerned about the wide gap between the developed and the under-developed countries and had considered measures to remedy that situation. The members of the Council had also repeatedly emphasized the difference between bilateral and multilateral assistance and the advantages of the latter. As far as the financing of economic development was concerned, private investment having been found generally insufficient to bridge the gap between the two categories of countries, moves had been made to set up a special fund, SUNFED, with an initial capital of \$250 million — an insignificant figure when one considered that 340 times as much was being spent on armaments.

30. During the current session, several members of the Council had stated that the time for research and study

was over, and that the moment for action had come. The establishment of SUNFED had been loudly called for in the various committees of the Council. The delegations of seven countries had, moreover, submitted to the Council a draft resolution to that end.

31. It was not for him as an observer to state his views on that draft resolution, but he would take the liberty of urging upon members of the Council the need to put an end to the numerous delays to which the establishment of SUNFED had been subjected.

32. Mr. RUNTURAMBI (World Federation of Trade Unions), speaking at the invitation of the PRESIDENT, said that a massive and sustained effort was needed to transform the under-developed countries into modern, industrial societies and to break the deadlock of dependence and poverty. Their own peoples had to shoulder the practical task of social and economic development, but the money needed to finance their development plans was often lacking.

33. In many cases, the under-developed countries did not control all the capital resources of their own territories and foreign concerns reaped large profits. Indonesia, for example, was facing a financial crisis as a result of balance-of-payments difficulties, but every year foreign oil companies achieved a surplus of more than 2,000 million rupiahs in their import-export trade, which was approximately equivalent to the total amount needed to provide the minimum 20 per cent gold and foreign exchange backing for the national money supply.

34. Advice to the under-developed countries to avoid inflationary methods did not solve their problem. The United Nations had accepted the development of the backward countries as its overriding task, and the aid it had already provided, particularly through the technical assistance programmes, was important and encouraging. The under-developed countries were therefore absolutely justified in turning to the United Nations for direct financial assistance suited to their real and specific needs. It was for that purpose that the proposal to establish SUNFED had been made and should be implemented forthwith.

35. The World Federation of Trade Unions could not but share the dissatisfaction expressed by the delegations of a number of under-developed countries at the very slow economic and social progress they were making. Although there had been a certain increase in their manufacturing output, production in those countries as a whole in 1954 still represented only five per cent of the total manufacturing production of the capitalist world — i.e., exactly the same proportion as in 1938.

36. Although there appeared to have been an increase in the export of private capital in 1956, private foreign capital did not meet the needs of the under-developed countries. While the export of private capital from the United States had more than doubled in 1956, there had been no significant increase in the amount of United States capital exported to Asia and the Far East, the Middle East and Africa, except in the case of overseas territories of western European countries. The only under-developed area in which United States investment had expanded was Latin America. The increase in direct investment was largely accounted for by the

petroleum industry, and consisted mostly of the purchase of new concessions.

37. The under-developed countries were seeking to develop their national economies independently so that they would cease to serve merely as sources of raw materials and profits for the more developed countries. Private foreign capital did not meet their basic needs, and existing international institutions such as the Bank had also proved inadequate. The establishment of SUNFED, for which the under-developed countries had expressed their support, was therefore urgently required. The need was becoming increasingly great as more and more States gained their political independence. Disarmament obviously would help, but the establishment of SUNFED should not be delayed while disarmament talks proceeded.

38. Steps should be taken to set up SUNFED without further delay on the basis of the principle of universality and equal representation, irrespective of the size of contributions. The fund should conduct its operations in such a way as to meet the urgent needs of the under-developed countries and to enable them to carry out their economic and social development plans. The establishment of SUNFED would help to solve the financial problems of the under-developed countries and would also make a contribution to the general development of world trade. It would be an earnest of the determination of the United Nations to press forward its constructive and peaceful work, above all for the development of the under-developed countries.

39. Mr. PATTEET (International Confederation of Free Trade Unions), speaking at the invitation of the PRESIDENT, was glad to see that the Council's debates on the financing of economic development were culminating in specific proposals. The sponsors of the draft resolution (E/L.764) were to be commended for having tried to break the vicious circle of studies and consultations.

40. The International Confederation of Free Trade Unions (ICFTU) had already given its views on the matter on several occasions. It agreed that the responsibility for economic development rested primarily with the under-developed countries. At the same time it was undeniable that those countries were worse situated than the more highly developed countries, since their finances were largely dependent on exports of primary commodities. The self-financing of their economic development would therefore be possible only if the United Nations found a satisfactory solution for primary commodity problems.

41. With regard to foreign aid, government assistance on a bilateral basis might be influenced by political considerations which were not always favourable to the development of private initiative within the recipient countries. The good faith of governments investing capital in overseas territories was not in doubt, but the peoples of such territories should be asked to take an increasingly active part in the execution of economic development projects of concern to them.

42. Private investment also had its part to play. Such investment, however, was admittedly for personal profit and not to advance the community. Private invest-

ment under corporative management — i.e., organized in co-operatives — should be given greater encouragement, and ICFTU had decided at its recent congress to study the matter in collaboration with the International Co-operative Alliance with a view to helping the under-developed countries.

43. It was to be hoped that the Council would adopt the draft resolution urging the establishment of SUNFED for the financing of economic development in the under-developed countries.

44. Mr. EGGERMANN (International Federation of Christian Trade Unions), speaking at the invitation of the PRESIDENT, observed that more than five years had gone by since the General Assembly had first launched the idea of a special United Nations fund for the economic development of technically under-developed countries (resolution 622 A (VII)). The only practical results achieved since then had been a series of impressive resolutions and some lengthy reports by *ad hoc* committees and highly qualified experts. The International Federation of Christian Trade Unions (IFCTU), having already expressed its profound regret on a number of occasions that very few practical measures had in fact been taken to help the two-thirds of the world population concerned, had therefore welcomed General Assembly resolution 1030 (XI), and was glad to see that the report prepared in accordance with that resolution (E/2999) put the Council in a position to submit concrete proposals to the General Assembly for the establishment of SUNFED.

45. Governments were all agreed that international financing of the economic and social development of the under-developed countries would lead to more balanced economic development throughout the world. But, as the Netherlands representative had pointed out in the Second Committee of the General Assembly, the countries whose participation was essential were postponing execution of the project from year to year. Some governments considered that a universal disarmament agreement must be concluded before SUNFED

could be established. It would of course be desirable for the great world Powers to stop the armaments race and undertake to use the funds released thereby for world economic development. But it might legitimately be held that balanced development of the world economy and general improvement of living conditions in the world would do more to maintain peace between the nations than a universal disarmament agreement. Such an agreement, desirable as it was, must not be regarded as an essential prerequisite for the establishment of SUNFED. IFCTU accordingly hoped that the Council would adopt the joint draft resolution urging that the General Assembly take the necessary steps to establish SUNFED.

46. Regarding the report on the international flow of private capital, 1956 (E/3021), IFCTU was particularly interested in the trend and distribution in the world of investments in the private sector. The report clearly showed that the trend of international movements of private capital was towards profit-yielding industries, and that sectors providing less economic and financial security were being avoided. That was a very understandable state of affairs, but was a clear indication that private capital was not playing as large a part as it might. The repeated appeals of the United Nations to the governments of capital-exporting and capital-importing countries alike, to continue and increase their endeavours to establish an atmosphere of international confidence favourable to investment had admittedly borne some fruit. But looking at the current distribution of foreign private investments in the world, one wondered whether an international convention was not needed to promote the establishment of an international climate conducive to a more rapid flow of investment capital and its more judicious distribution among the various productive sectors of the world. IFCTU considered that such a move, under the aegis of the United Nations and the specialized agencies concerned, would encourage private investment in the interests of world economic development.

The meeting rose at 12.10 p.m.