

United Nations
**GENERAL
 ASSEMBLY**
 FIFTH SESSION



SECOND COMMITTEE 122nd

MEETING

Friday, 13 October 1950, at 3 p.m.

Official Records

Lake Success, New York

CONTENTS

Page

Economic development of under-developed countries: report of the Economic and Social Council (A/1345 and A/1359) (<i>continued</i>)	31
---	----

Chairman: Mr. Gustavo GUTIÉRREZ (Cuba).

Economic development of under-developed countries: report of the Economic and Social Council (A/1345 and A/1359) (*continued*)

[Item 28]*

1. Mr. SCHNAKE VERGARA (Chile) felt that the Council had not fulfilled the last part of General Assembly resolution 306 (IV), according to which it was expected to transmit "recommendations for international action" concerning the financing of economic development, because the Member States called upon to make decisions in that respect had not yet done so. He also thought that the existing situation, namely the lack of international capital in sufficient quantity to speed up development, was not the fault of the International Bank for Reconstruction and Development but of its member governments.

2. Nevertheless, the Council had made progress in framing the doctrine or criterion on which financing must be based. In that respect, he singled out the agreement reached on the problem of the lack of resources in local currency which governments needed to be able to finance their programmes of development. In that connexion, the Sub-Commission on Economic Development had considered that the Bank should have more flexible principles than the existing ones.

3. The Chilean delegation believed that in order to introduce a greater flexibility into the operations of the lending agencies, the following considerations, *inter alia*, should be kept in mind: (a) so far, only specific projects were financed separately, and only to the extent necessary to cover imports directly related to such projects; (b) the execution of specific projects also required an outlay of national currency which generally amounted to more than 50 per cent of the total cost of each project. The financial resources of the young

countries were limited by their low agricultural productivity and scanty industrial production which was expressed in a low national and *per capita* income; (c) the increase in the volume of wages and salaries produced by the execution of development projects tended to be consumed immediately, since the majority of the people lived in a state of under-consumption. The increased demand did not meet with a corresponding supply of consumer goods on the national markets; further, governments were obliged to intensify their systems of taxation, often to an exaggerated degree; all those factors could increase inflationary pressure; (d) in the young countries, the bulk of national savings was produced by private enterprises which tended to plough back their profits in order to expand their own business; however, the shortage of hard currencies made such private programmes of expansion and modernization difficult.

4. In view of that combination of circumstances, the Chilean delegation had submitted to the Council at its eleventh session in Geneva a draft resolution¹ which proposed that financial resources should be provided not only for isolated projects but also for over-all development programmes made up of several projects designed to produce balanced economic development.

5. The group of experts who had drawn up the report on *National and International Measures for Full Employment* had stated that the Articles of Agreement of the International Bank for Reconstruction and Development should be amended so that loans could be granted for over-all development programmes also, since it was their opinion that when loans were granted for general development purposes instead of for specific projects, the restrictions on the use of the funds to specific purchases from abroad lost its validity and the funds provided should be made available for the financ-

* Denotes the item number on the General Assembly agenda.

¹ See *Official Records of the Economic and Social Council, Eleventh Session, Annex*, item 6, document E/1757/Rev.1.

ing of any imports that were directly or indirectly necessary for execution of an over-all developmental programme. The economist Mr. Kaldor had stated that if the foreign investments made by Europe in the nineteenth century in various parts of the world had been based on the criterion on which the financing of economic development had so far been based, none of their enterprises would have come into being. The investments had been a success because they had financed the direct imports connected with each undertaking and the expenditure in local currency and had thereby financed the indirect consumption needs generated by the execution of their projects.

6. Similarly, Mr. Schnake Vergara believed that if the problem of European recovery had been regarded in the same light as the economic development of the under-developed countries, the favourable results so far achieved would not have been obtained. The fact was that, through the Marshall Plan, Europe had received industrial equipment for every kind of industry, raw materials, agricultural equipment, livestock and food-stuffs, all of which had made possible the achievement of pre-war levels of production.

7. He recalled that when the subject had been discussed in the Council, the representative of the Bank had said² that in "exceptional circumstances" the Bank could finance indirect imports through general programmes, but that no country had submitted such a programme and that the Bank was currently assisting two countries of Latin America in drawing up programmes of that kind. He noted with satisfaction that the Bank had recently granted a loan for a general programme to Australia, a large part of which had been earmarked for financing the needs of various private industries; in that connexion, he said, so far private undertakings in the under-developed countries, whether agricultural or industrial, large or small, had been unable to secure financing for the imports necessary for expansion, modernization or installation. They were thus unable to co-operate in the task of securing balanced production in every sector of the economy.

8. For the foregoing reasons, the Chilean delegation had given enthusiastic support to the recommendation made by the Council in resolution 294 (XI), part C to the effect that "the under-developed countries should give greater attention to the formulation of integrated programmes of development" and that institutions providing international loans should assist in financing such programmes. The financing of such programmes would allow governments to channel private savings and make use of available resources to cover expenditure in local currency which were necessary for their development policy, including social requirements and technical education.

9. In conclusion, he considered that the magnitude and importance of the problem derived from the fact that effective demand in countries already industrialized could not be increased or maintained, and that greater international demand could not be increased or maintained either, unless the economic development of the under-developed areas became a reality.

10. Mr. LE RIVEREND (Cuba) said that economic development as envisaged by the United Nations had two distinct but equally important aspects, technical assistance and financial aid to the countries concerned.

11. The two aspects were complementary and in most cases it would be of no avail to furnish technical assistance to the countries concerned without at the same time providing the necessary resources for the execution of any schemes which such assistance enabled them to draw up.

12. It was essential, therefore, that the under-developed countries should know, at least approximately, what financial resources could be made available to them. The United Nations should assess the international resources currently available for investment and inform the under-developed countries accordingly.

13. Turning to the question of the best method to be followed in economic development, he said that to seek first to transform the social framework of a particular economic system and only later start on its development would be tantamount to postponing development indefinitely. Experience showed that the industrialized countries had begun their development actually by expanding their industry and trade; it was only afterwards that they had been able to improve living conditions, health services, etc. Similarly, the fact that Cuba had highly qualified specialists in chemistry, economics, entomology, etc., was solely due to the fact that it already possessed an advanced sugar industry.

14. The Cuban Government, therefore, intended to continue to follow the policy of direct development. That was why it had set up a National Bank, had floated a large internal loan and had thus obtained invaluable information regarding the possibilities of domestic financing. It had also reorganized its Economic Development Commission which could henceforward, thanks to the loan mentioned, undertake major public works. The state of public finances had also improved. The National Economic Council had carried out a large number of surveys with a view to preparing a national programme for economic action and technical information. The preliminary studies for the establishment of a bank for agricultural and economic development had also been completed. The Cuban Government was, finally, working on new legislation dealing with securities and stock exchanges. All that showed that Cuba was making considerable efforts to expand its domestic resources and to mobilize them for its economic development.

15. It was obvious, however, that domestic resources would not be sufficient to carry out the development programme since private capital was relatively scarce in the country and, in addition, had a marked preference for liquidity. Cuba would therefore have to have recourse to foreign capital if it wished to execute even a part of its development plan. To obtain that capital, it would have to apply principally to international organizations since private lenders often set impossible conditions. Moreover, some undertakings such as soil conservation, reforestation, etc. were not attractive to private capital. Finally, as Mr. Singer had indicated in the April-June number of the *Economic Quarterly*, such investments might be undesirable as they con-

² See *Official Records of the Economic and Social Council, Eleventh Session, 385th meeting.*

tributed to the abnormal development of under-developed countries and hindered a more stable distribution of their national income.

16. He thought, therefore, that further study should be given to the suggestions of the Sub-Commission on Economic Development with regard to financing. It was already obvious, however, that some of the suggestions were impracticable because of the political trade pursued by certain countries. Thus, because of the agreements it had concluded with foreign countries, Cuba was not in a position to control its imports as the Sub-Commission recommended. It was also unable to expand its exports in view of the restrictive measures adopted by certain other States.

17. In conclusion, Mr. Le Riverend said it was necessary to lay chief stress on the fact that technical assistance and financial aid were complementary and reciprocal; it was also essential to attempt to determine the approximate volume of the resources available and to increase them. Current commercial policy must be adjusted to the needs of economic development. Finally, it was essential to lose no time in putting the technical assistance programme into effect so that the experience gained could be used for future guidance.

18. Mr. MEJIA PALACIO (Colombia) stated that, not content with studying the theoretical side of technical assistance, his country was already putting into practice the principles set forth in the Technical Assistance programme of the United Nations and in "Point Four" of President Truman's programme. He therefore wished to inform members of the Committee of the experience gained by Colombia in that field and the plans his country had worked out for the immediate future.

19. In 1949 Colombia had concluded an agreement with the International Bank for Reconstruction and Development for the appointment of a technical mission which would study on the one hand the country's available resources and its most immediate needs, and which would then draw up a programme of action. The mission, composed of fourteen experts supplied by the Bank and fourteen others nominated by the Colombian Government, had worked in Colombia for five months. The mission's work had made it possible to draw up a five-year development plan, covering agriculture, industry, transport, health, social welfare and education, electric power and public services, the living conditions of workers and agricultural labourers, public finance and fiscal policy, monetary and banking policy, foreign trade and exchange and, lastly, the machinery of government.

20. That was a co-ordinated plan embracing the entire economic and social structure of the country and aimed at raising the standard of living of the population and ensuring the economic stability of the whole system. The plan was at present being studied by a committee specially set up by the government for the purpose, a committee composed of representatives of all the political parties, of farmers, workers, industrialists and financial circles. That Committee could also count upon the collaboration of Mr. Currie, the American economist who had been in charge of the work of the research mission.

21. Once the study was completed, there would be the question of carrying out the mission's recommendations. In order to do that, Colombia would require technical assistance. In particular it would need about thirty-two experts to co-ordinate the various development projects. The Colombian Government had already engaged a certain number and had asked for others from the United Nations and its specialized agencies and from the Organization of American States and its regional organs.

22. He thanked the United Nations for the help given in that field and mentioned that Mr. Martinez Cabañas, Deputy Director-General of the Technical Assistance Administration, would shortly visit Bogotá to negotiate the final details of the agreements concerning the experts to be provided. Mr. Mejía Palacio then turned to the question of financing the five-year plan. The total cost of carrying out that programme would amount to about \$2,500 million, of which \$2,000 million would have to be met in national currency and \$500 million in foreign currencies, in order to secure the equipment necessary for the successful accomplishment of the work. That programme provided for the mobilization of every national resource, both governmental and private, for the execution of the plan. It was hoped that the greater part of the foreign currency requirements for financing the plan could be covered by Colombian exports. That would also make it possible to prevent the occurrence of inflationary phenomena.

23. The Colombian Government was at present engaged in taking steps to ensure the success of that financing plan and was prepared to make the experience it was acquiring available to all other countries.

24. Mr. Mejía Palacio then enumerated four factors that were necessary to ensure the success of the five-year plan: (a) Internal resources: the Colombian Government was naturally endeavouring to mobilize all government and private resources, but it realized that the magnitude of those resources would depend on whether or not it could ensure a certain stability to the Colombian economy. (b) Price of exportable products: the price of those products was an essential factor in economic stability; moreover, the export of raw materials constituted Colombia's only normal source of foreign currency. The problem was, therefore, not only to restore stable prices, but also to establish exchange conditions that would enable Colombia to import the equipment and the manufactured products it required without lowering the standard of living of its people. In other words, it was absolutely necessary to maintain the price of coffee exported by Colombia at the comparatively high level it had reached in 1949. (c) Collaboration of foreign private capital: it was more important to have partners than creditors. The Government of Colombia was, therefore, doing its best to attract foreign capital by offering it every kind of facility and advantage. It was necessary, however, that the governments of countries where capital was abundant should also take steps to facilitate such an international flow of capital. They should, for example, remove all restrictions on the exportation of capital and give up the taxation of capital invested abroad. (d) Government loans and loans from the specialized agencies: credits of that kind were essential for financ-

ing undertakings which gave no prospect of immediate profits and which did not therefore attract private capital. The resources that the International Bank or the Export-Import Bank were able to make available for economic development were no longer sufficient. Those agencies should therefore adopt a more flexible policy and agree to finance at least a part of the requirements in local currency.

25. In conclusion, Mr. Mejía Palacio hoped that all four elements would be found in Colombia and that the success of the Colombian five-year plan would provide valuable pointers for other countries wishing to develop their national economies and for international organizations.

26. Mr. DIMASHKIE (Lebanon) recalled that prosperity, like peace, was indivisible, and that, consequently, the problem of economic development and of the technical assistance to be supplied to under-developed countries was of very special importance. Meanwhile, the scale of the programme of technical assistance drawn up by the Economic and Social Council at its ninth session and the funds allocated for carrying it out were definitely insufficient for the needs of the under-developed countries.

27. Mr. Dimashkie acknowledged, of course, that those countries should themselves contribute to the financing of their economic development. The resources of those countries, however, were very limited and if they introduced compulsory saving methods they would lower still further the already depressed standard of living of their peoples.

28. The report of the Economic and Social Council was, moreover, based on the idea that there would be vast international movements of capital and that those movements would make it possible to finance part of the requirements. There were three different possible sources for such capital: it could be provided by private persons, by governments or, lastly, by international institutions. Most under-developed countries were reluctant to take loans from moneylenders or from foreign governments. Such loans were always fraught with exploitation, imperialist tendencies and political pressure of every kind.

29. The under-developed countries, and in particular those of the Near and Middle East, therefore considered that, in order to ensure their economic development; it was essential to improve the system of financing by international bodies. The methods and resources of the International Bank for Reconstruction and Development, which were in most cases based on the same considerations as those of private banks, were no longer adequate. Other more effective methods would have to be considered, and the representative of Lebanon hoped that the Committee would prove equal to its task in that respect.

30. Mr. CHUN-JIEN PAO (China) observed that the problem of the economic development of the under-developed countries was just as important as the problem of aggression. It was, therefore, one of the fundamental problems to be solved by the United Nations. The poverty prevalent in vast areas of Asia was due to the fact that a certain group of people exploited millions of unfortunates for political purposes. Rehabilitation schemes clashed at the present time with the desire for

conquest on the one hand and with the firm determination to preserve freedom on the other. Nevertheless, there could be no peace unless there was effective action aimed at the development of the under-developed countries, which must be carried out by the concerted action of the various participating nations.

31. He recalled the resolutions 222 (IX) and 294 (XI) adopted by the Economic and Social Council at its ninth and eleventh sessions and resolutions 304 (IV), 305 (IV), 306 (IV) and 307 (IV) adopted by the General Assembly at its fourth session.

32. The Chinese delegation approved the principles set forth in resolution 294 (XI) of the Economic and Social Council. It was essential that loans for the economic development of under-developed countries should not establish debtor-creditor relations between the parties; it was essential to realize clearly that financial assistance in the form of loans to facilitate the economic development of the under-developed countries was in the interests of all. The interdependence of the economic life of nations was a truism and the financing of economic development should be based on the principles of co-operation and mutual assistance. It was useful to recall, as the Council's resolution did, that the under-developed countries must rely upon themselves to undertake their programmes of development.

33. Resolution 294 (XI) of the Council recommended that governments should establish through domestic measures and, if necessary, through bilateral or multilateral agreements, conditions to encourage participation of foreign private capital in economic development either in the form of direct investment or in the form of investment in bonds of governments or of private and public corporations.

34. In that connexion, steps should be taken to prevent any impairment of the sovereignty of the beneficiary country. Bilateral and multilateral agreements regarding investments in the under-developed countries should be made public and registered with the United Nations Secretariat.

35. The establishment of the International Bank for Reconstruction and Development marked a new era in the history of international financing and, although from time to time there had been criticism of the Bank's policies, it must be admitted in all fairness that the Bank had done praiseworthy work. In any case, no one had heard complaints or charges of exploitation levelled at the Bank. There was every reason to welcome the statement made by the representative of the Bank at the eleventh session of the Economic and Social Council when he had said that, in granting loans, the Bank studied the over-all investment programme of the countries concerned and its financial repercussions, not merely the specific projects to be financed. In other words, in order to secure a loan from the Bank, an over-all development programme and not merely plans for a particular branch of industry had to be drawn up. Such a survey would help borrower governments to make a more realistic assessment of the financial resources at their disposal. Other credit institutions also might well co-operate in assisting the under-developed countries. The terms of loans should be such as not to reduce excessively the beneficiary

countries' ability to obtain foreign currency. As usual, a borrowing country could export its products, pay the interest and redeem the loan. In those circumstances it was essential that agreements should be concluded to maintain the prices of such raw materials at a given level and those agreements should be equally binding on the borrowing and the lending country.

36. Returning to the Expanded Programme of Technical Assistance, the representative of China stressed the need for employing experts familiar with the area to which they were sent, from the economic, as well as the social and cultural, point of view. He also warned the Committee against the danger of overlapping operations.

37. In conclusion, he hoped that the International Bank for Reconstruction and Development, the International Monetary Fund, the Economic, Employment and Development Commission, the Economic and Social Council, and other organs of the United Nations directly concerned would make further and intensive studies of the question in order that the Assembly might consider and take action on them.

38. Mr. HALIQ (Saudi Arabia) wished to make certain observations to enable his delegation to understand better the purpose and scope of the great work undertaken by the United Nations in launching the Expanded Programme of Technical Assistance for economic development. He believed that a discussion of the questions he wished to raise might be of value not only to his own country but also to the organizers of the programme and to other delegations.

39. Mr. Haliq first wished to get a precise definition of what was meant by technical assistance. If what was meant was simply the tasks envisaged by the resolutions adopted on the subject, it would seem to be much greater than might at first sight be supposed; it might, indeed, cover every kind of economic, social, medical or other undertaking.

40. With regard to development it was necessary, however, to consider the question of the profits which the development enterprises were supposed to yield. How could the profit element be reconciled with the needs of non-profit-making enterprises and the humanitarian aspect of technical assistance? It was thus necessary to frame a precise definition and lay down standards for technical assistance to under-developed countries.

41. So far no definition of that kind existed; all countries should be considered under-developed from certain points of view. This was not a purely academic question. Standards must be established to determine the urgency, priority and amount of the assistance which certain regions were entitled to ask from the United Nations without the risk of being disappointed. If technical assistance were to achieve its maximum efficiency such a definition was essential.

42. The standpoint adopted for judging whether a country was under-developed should also be made clear: was it considered under-developed in relation to international economy, international peace and security, humanitarian principles or in relation to the density of its population?

43. Political factors must also be taken into account. In the Middle East, for instance, it would be unfair to give priority to a State which had a considerable force of trained immigrant labour and had access to sources of foreign capital.

44. If economic development were considered as consisting mainly of a rise in the standard of living of the peoples concerned, the question of the repercussions of such development upon the civilization of the countries anxious to benefit from it must be considered. That was a matter which the Joint Second and Third Committee should study.

45. It was generally acknowledged that countries interested in economic development could not follow identical processes of adaptation. That aspect of the question of development might usefully be studied on the international level.

46. Development could not be considered solely from the point of view of the material well-being of the peoples without regard to the sociological and cultural values which it was often desirable to preserve because of their basic importance as elements of social integration even though they might not be in accordance with economic standards. In Saudi Arabia for instance, there were certain religious and traditional practices which could not be subjected to economic and technological changes without the exercise of the greatest caution.

47. To develop a country was to initiate a process of cultural transformation. It should be carried out without imposing ideologies or even foreign technical conditions, permitting the country, rather, to preserve its traditional culture which under certain circumstances, was inferior to none other. It required more than purely technological advice to evaluate the importance of such cultural patterns. The report of the Economic and Social Council and the many interesting studies published by the Department of Economic Affairs were defective in that they ignored that aspect of the matter.

48. In conclusion, Mr. Haliq expressed his delegation's interest in the position of the Non-Self-Governing Territories, which contained a large population for which Mecca was a spiritual centre. The remarks he had just made on the need to preserve the culture of peoples undergoing economic development applied even more to the Non-Self-Governing Territories. The United Nations must see to it that economic development did not involve the destruction of the spiritual values and the national character of the Non-Self-Governing Territories. That was the chief reason why the Committee for the Liberation of North Africa had protested against the exploitation by France of that region's natural resources.

49. The questions he had just raised were a matter of close concern to the Government of Saudi Arabia, and had probably accounted for its hesitation in participating in the Technical Assistance Conference.

50. Mr. CHAUVET (Haiti) recalled that his country was the first to have asked the United Nations for assistance to promote its development and had also been responsible for presenting the draft resolution on technical assistance at the third session of the Gen-

eral Assembly. In asking for help from the United Nations, the Government of Haiti had had in mind, primarily, the practical results which under-developed countries could secure from such assistance. Experience had justified its expectations. If the interests of the applicant countries and the desires of their peoples coincided on this point, technical assistance could become something positive and real.

51. As laid down in the Economic and Social Councils' resolution 222 A (IX), the United Nations should take into account the needs and requests of governments. The technical experts too should never seek to force their own views on the country using their services. They should rather seek to increase their own knowledge through close contact with the people of the country concerned.

52. Haiti's experience in that respect confirmed that of Bolivia, as described by its representative in the plenary meeting³: the United Nations Mission, which at first had been coolly received, had left the country having earned the confidence of the people.

53. He recalled that at the fourth session of the Assembly, he had asked (90th meeting) for a concrete experiment to be made so that the implementation of technical assistance programmes might be studied in their many aspects. His country was particularly suitable for such an experiment.

54. He disagreed with the fears of certain countries that technical or economic assistance would prejudice their own interests. No country could afford to do without the knowledge which other countries had to offer. A country as highly developed as the United Kingdom had recently asked the United States for advice on a particular point: factory organization.

55. To avoid unfavourable psychological reactions, great caution and tact must be used in reports to the Press. It was unwise to give specific details which might present the applicant countries in an unfavourable light. A certain degree of professional secrecy should be observed by those supplying technical assistance.

56. After six months' experience of technical assistance, he would like to point out that the cost of maintaining technical experts in a country was very heavy for small countries, particularly as, in addition to subsistence and allowances for the experts, the country also had to pay its own technicians who were carrying out the programme. Mr. Chauvet asked the Assembly to pass a resolution making the beneficiary government responsible only for the board and lodging of United Nations experts, other expenses to be borne by the United Nations. He thought that the necessary sums could be provided out of the normal credits available, i.e. the \$20 million budget of the Extended Programme for Technical Assistance. Turning to the question of funds, he recalled the financial security covenant which his delegation had proposed to the Assembly as far back as 2 December 1948.⁴ This covenant afforded foreign capitalists and beneficiary countries mutual

guarantees. It safeguarded the former against the risks of excessive taxes, nationalization, confiscation or exchange control, and the latter against foreign capitalist domination.

57. He concluded by stating that technical assistance had reached the stage of practical achievement; economic missions had been sent to Haiti and other countries. He hoped that the work of the experts would not be confined merely to drawing up a flood of reports. The urgent problem requiring solution was that of financing the recommendations made by the specialists.

58. Mr. SAKSENA (India) referred to the uncertainties surrounding the definition of an under-developed country. The United Kingdom representative had said (119th meeting) that the definition only covered countries which were really under-developed and not those already partially developed. The representative of India could not accept that definition and contrasted it with the one formulated by the International Bank for Reconstruction and Development which defined under-developed countries as those in which the standard of living was inferior to that of Western Europe, North America, and Oceania. On that basis there were really two categories of under-developed countries: the young countries which possessed vast natural resources but lacked the means of exploiting them, and the old countries, mainly agricultural, with large populations but inadequate resources. India belonged to the second category. Like all the other countries of Asia, India was at one time one of the richest countries in the world. The decay of its civilization and the deterioration of its living standards were the result of certain historic events and of the accident which first gave the nations of the West control over certain natural trends. Mr. Saksena quoted in that connexion a speech by Mr. Kennedy, a State Department official, describing the economic decline of India and other Asian countries.

59. In an age when the development of transport made nations so closely interdependent, such a disparity of living standards was very dangerous, not only for the under-developed countries, but for the world as a whole—a fact that was, unfortunately, too often ignored. The indifference shown to the poverty of those peoples might provoke upheavals all over the world. It was extremely important to endeavour to create, at least gradually, greater equality of living conditions. The industrialized countries of the West had been able to rebuild their economies with the help received from international financing organs and in particular from the Marshall Plan. Nevertheless, their standards of living had never dropped as low as that of the under-developed countries. The time had come therefore to give priority to the problem of raising the living standards of the under-developed countries. If a catastrophe were to be avoided, it was essential to concentrate the limited resources of international financing organs and all the efforts of the industrialized countries upon this goal.

60. For some years, and particularly since President Truman had announced his epoch-making Point Four Programme, the problem of economic development and the assistance necessary in this respect in the fields of technical advice and capital investment, had aroused very keen interest. Steps had been taken both by the United States and by the United Nations to extend

³ See *Official Records of the General Assembly, Fifth Session, Plenary Meetings*, 283rd meeting.

⁴ See *Official Records of the third session of the General Assembly, Part I, Plenary Meetings*, 170th meeting.

technical assistance to under-developed countries. At the Technical Assistance Conference a sum of \$20 million had been agreed upon, and that sum, though extremely small in relation to world requirements, nevertheless represented a step in the right direction. The Indian delegation felt, however, that, for the purpose of collecting future contributions to the technical assistance programme, the Secretary-General should be authorized to ask governments for their contributions instead of being obliged to convene at great cost a special conference.

61. Technical assistance was, however, only one aspect, and perhaps the least important aspect, of assistance for economic development. If capital were available, experts could always be obtained, whereas the converse was not true. Furthermore, to increase the number of experts for whom, owing to lack of capital, no employment could be found might be politically dangerous, as India's experience proved. From all points of view, therefore, it was essential to provide under-developed countries with resources for financing their development. Only thus would it be possible to increase the productivity and national income of those countries, obtain a better balance of world payments and stimulate employment in industrialized countries.

62. From what sources could the capital necessary to finance economic development be derived? The extent of the effort to be made in that respect by the countries themselves concerned had often been stressed recently, and it had been stated that such a method of financing was preferable to the use of foreign capital. The Sub-Commission on Economic Development had expressed that point of view in its report (E/CN.1/80); it was also reflected in the report of the experts on *National and International Measures for Full Employment* and in the statements made by numerous representatives in the Committee.

63. He supported that point of view, always provided, however, that the national resources to be mobilized really existed, and in quantities more or less proportionate to the requirements. In India, war inflation had ruined the middle class, which had provided the major proportion of savings. He read a quotation from the *Statist*, according to which the financial requirements of development programmes far exceeded the savings capacities of India, particularly because of its extremely low standard of living. At the present time no capital seemed to be accumulating in India; the truth was rather that the existing capital was being spent.

64. It was, therefore, impossible to expect that a development plan for a country like India could be financed from national resources, although India had drawn up a programme for the development of the main economic sectors (transport, power, heavy industry) which would have to be put into effect if the country's economy were to be put on a sound basis. It would probably be possible to finance part of the programme by budgetary deficits, but such a policy would aggravate inflation and would not provide the country with the equipment it could only obtain from abroad.

65. What the under-developed countries needed, therefore, was an act of faith on the part of the more fortunate countries. The Marshall Plan had been such an act of faith. Could they hope for a similar act of faith?

If they were given assistance related to their needs, such assistance would not only raise their morale but also stimulate their own efforts to promote their economic development.

66. He stressed the urgency of the problem. If they envisaged only small-scale assistance designed to produce gradual improvements, the growth of the population would quickly absorb the whole benefit of the efforts made. Furthermore, there were destructive forces in the world which would not wait until gradual improvements had produced their effects, but would open the door to revolutionary ideologies likely to upset the country's life.

67. As the representative of an under-developed country, he was rather embarrassed to have to say that an act of faith was needed to achieve economic development. The arguments on which he based his view, however, were the same as those that had inspired American statesmen when they had initiated the Marshall Plan.

68. As the Sub-Commission on Economic Development had reported, the requirements of under-developed countries bore largely on non-profit-earning enterprises for which no capital could be got, even if one applied to existing international financial institutions. In considering how those resources could be obtained, the Sub-Commission's report enumerated the conditions necessary to attract foreign capital. The Government of India had fulfilled all those conditions but its efforts had been in vain. The fact was that so long as opportunities for capital investment were satisfactory in lending countries, it was difficult to attract capital abroad.

69. Loans from the International Bank for Reconstruction and Development had hitherto been confined to undertakings which could write off their cost. Recently the Bank had stated that in making loans it would give larger consideration to the productive nature of the enterprises concerned. The Bank, however, obtained its capital from private sources, and it had therefore to respect the principles of banking practice. Enterprises representing the general services of an economic and social nature mentioned by the representative of the United Kingdom had to resort to longer-term loans bearing a rate of interest lower than could be obtained from existing sources.

70. The Chairman of the Sub-Commission on Economic Development had proposed the establishment of a United Nations economic development administration to be financed by contributions from States Members in their own currencies. The administration would on request grant States technical and financial assistance for enterprises which could not be financed by their own resources. That proposal, however, had been rejected by the Economic and Employment Commission because of the opposition of the Bank and most of the members of the Commission. The group of experts instructed to report on *National and International Measures for Full Employment* had made similar suggestions and had asked that the Bank be authorized to grant development loans of a general nature.

71. At the present time the Commission had before it a Pakistan proposal for the establishment of a financial assistance committee similar to the Technical

Assistance Committee. It would issue bonds and grant long-term loans at low rates of interest. The Indian delegation supported that proposal. It could not, however, be successfully carried out without the full support of the Bank and of the United States Government, as the United States would have to make the largest contribution.

72. To come back to resolution 294 (XI) of the Economic and Social Council, Mr. Saksena approved it in principle, though it was mainly academic, since with the exception of a provision on the use of contributions made in national currencies to the capital of the Bank, the resolution contained no positive suggestion.

73. The Economic and Social Council had not paid sufficient attention to financial assistance for the economic development of under-developed countries. If a bold and realistic solution, conceived in a spirit of devotion to the cause of humanity, could be found for that problem, the United Nations would have succeeded in changing the fate of the world.

74. The CHAIRMAN asked delegations to submit draft resolutions as soon as possible; they should in any case be tabled before the end of the general debate.

The meeting rose at 6.10 p.m.