



ECONOMIC AND SOCIAL COUNCIL

Thursday, 7 April 1960,
at 10.50 a.m.

Twenty-ninth Session
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President: Mr. C. W. A. SCHURMANN
(Netherlands).

Present:

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Chile, China, Costa Rica, Denmark, France, Japan, Netherlands, New Zealand, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Argentina, Australia, Canada, Czechoslovakia, El Salvador, Greece, Haiti, India, Ireland, Israel, Mexico, Peru, Romania, Yugoslavia.

Observers for the following non-member States: Federal Republic of Germany, Holy See.

Representatives of the following specialized agencies: International Labour Organisation; Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization; International Bank for Reconstruction and Development; World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 4

- (a) Report of the International Bank for Reconstruction and Development (E/3314, E/3314/Add.1 and Corr.1);
- (b) Report of the International Finance Corporation (E/3315 and Add.2)

1. Mr. BLACK (President of the International Bank for Reconstruction and Development) presented the Bank's annual report for 1958-1959, together with a supplement to that report giving an account of the Bank's activities from 1 July 1959 to 31 January 1960.^{1/}

2. In the first place, it should be pointed out that the Bank's high level of lending had continued. During the financial year 1957-1958 there had been a sharp rise in new lending by the Bank, which had reached more than \$700 million as compared with an average rate of \$400 million for the previous three years.

^{1/} International Bank for Reconstruction and Development, Fourteenth Annual Report, 1958-1959 (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3314); and "Supplement to the fourteenth annual report: A summary of Bank activities from July 1, 1959, to January 31, 1960", transmitted to the Council by a note of the Secretary-General (E/3314/Add.1 and Corr.1).

During the financial year 1958-1959 new lending had again exceeded \$700 million and the Bank's loan commitments during the first three quarters of the current financial year already totalled \$560 million.

3. As the time at his disposal did not allow him to go into details about the Bank's loans in all parts of the world, he would confine his statement to Africa, which would provide a picture of the broad range of the Bank's activities. In Africa alone the Bank had made nine loans totalling over \$260 million since April 1959. Two of those loans were financing the mining and transport of manganese deposits in the Gabon Republic and of iron ore in Mauritania; a third was for the construction of a pipeline to bring Sahara oil across the desert to the Mediterranean. Apart from the important new foreign exchange revenue thus earned, the utilization of those resources would give a strong impetus to the economic development of the regions concerned. Two loans had been made for transport improvements, one for the widening and deepening of the Suez Canal and the other for the railway expansion programme of the Union of South Africa. Of the other four loans, which amounted to the equivalent of \$46 million, three were for development, including agricultural development, in the Belgian Congo. The fourth, of \$5.6 million, was to assist African agriculture in Southern Rhodesia. Those agricultural loans would produce more direct benefits to the peoples of those regions where, as in all parts of Africa, agricultural methods were undergoing far-reaching changes than the loans concerned with infrastructure. The Bank was hoping to be able to make other loans of that type which would help to improve the productivity of African agriculture. It hoped also to be able to provide assistance for the larger and more basic African projects, such as the large-scale irrigation projects in the Sudan and the Volta River hydroelectric and industrial project in Ghana.

4. In addition to its loan operations, the Bank had in the past year sent several general survey missions to Africa. Those which had visited Libya and Tanganyika would shortly present their reports. A third was to visit Uganda in the near future. The African countries had also been recipients of other kinds of technical assistance from the Bank: a resident representative had been stationed for the first time in an African country, Ethiopia; Bank experts had advised on the proposed establishment of several African development banks and found managerial and technical personnel for an existing bank; finally, through the Bank's Economic Development Institute, officials concerned with development programming in six African countries had been given the opportunity for an exchange of views with their counterparts elsewhere in the world.

5. There had also been important operations by the Bank in other regions of the world, including Asia, the Middle East, Latin America and the less developed areas of Europe.

6. In order to ensure that the Bank's lending resources would be equal to the heavy demand for development finance, its authorized capital had been increased from \$10,000 million to \$21,000 million in September 1959. By the end of 1959 subscribed capital had been more than \$18,500 million, compared with \$9,500 million at the end of 1958. Conditions in the world bond market had not been very easy during the previous financial year, particularly in the United States, with the result that the Bank had sold only one issue in that country. On the other hand, it had made successful approaches to several markets outside the United States, including Germany and Belgium, where it had made its first public offering of bonds. It had also sold issues in Switzerland and on the London market. Hence more than half the Bank's funded debt was now held by investors outside the United States. It was interesting to note that the Bank's largest source of funds for the past two years had been the Federal Republic of Germany. That development testified to the economic recovery of the Bank's European member countries and showed their readiness to use the Bank as a channel through which their available funds could flow to the less developed countries.

7. Another indication of a return to healthy conditions in the member countries of the Bank was the fact that, contrary to what had been the case in the immediate post-war years, the number of countries in default on their external obligations was now very small. The improvement in that situation had been accompanied by a return to the bond market of many countries which had been accustomed to find their development finance in that market before the war. The fact that in the past fourteen years no less than \$3,000 million worth of bonds had been sold in countries other than the countries of issue showed that the last-named countries had been able to re-establish their credit with private investors. The Bank had been able to play a part in that process of returning to classical methods of development financing because its own record had shown that its borrowing countries did not default on their external obligations.

8. The proposal for the establishment of an International Development Association was an equally encouraging step in that field. That body, which would probably come into existence some time during the autumn of 1960, would make loans on easier terms than the Bank. It would consequently give valuable assistance to countries which were too poor to finance a satisfactory rate of development on conventional loan terms or whose capacity to absorb external capital was too great. It was a striking fact that during the years 1956-1958 the public external debt of the Bank's member countries in Asia, the Middle East, Africa and Latin America had increased considerably, reaching a total of about \$5,000 million by the end of 1958. The International Development Association would make it possible in the years to come to provide such countries with the loans they needed on terms which would alleviate as far as possible the burden on their balance of payments. It was true that the Association's initial resources were modest but they could be increased when member countries agreed that that was necessary. What mattered was not only the quantity of investment but also the amount which could be effectively absorbed in the development of the countries concerned. In the new African nations, for instance, the opportunities for wide and effective utilization of foreign investment would necessarily

remain limited until progress had been made in educating the population and training government administrators.

9. Besides the International Development Association, other international financial institutions were being set up, such as for example the Inter-American Development Bank, which had held its first meeting a few weeks previously, and the Development Assistance Group, which had held a meeting at Washington a month earlier at which the principal capital-exporting countries of the world had been represented. The Bank would be glad to co-operate with those new bodies. The Special Fund, with which the Bank had established a constructive relationship, had already proved its value, if proof were needed. Its success would depend, however, on the efforts it made not only to analyse and approve requests for financing but above all to ensure the effective administration of the projects approved.

10. Turning to another subject, he was glad to be able to announce that the Indus waters dispute which had been going on for many years between India and Pakistan was on the verge of being solved. The project for sharing the waters, which had been accepted by both countries, would take ten years to carry out and would cost in all about \$1,000 million. A number of friendly Governments had offered to contribute over \$600 million in grants and loans towards the cost of the project.

11. Presenting the report of the International Finance Corporation^{2/} and speaking as Chairman of that body, he was glad to announce that there was a growing number of promising investments in private industrial enterprises. Since the previous year the total number of commitments had increased from fourteen to twenty-seven and the net amount from about \$13 million to over \$20 million. The number of countries in which IFC projects operated had increased in about the same proportion. Each dollar of IFC investment had been accompanied by more than \$3.50 of private capital, which showed that the Corporation was carrying out its basic function. Argentina and Spain had joined the IFC, bringing the membership to fifty-nine countries. During the previous year members of the staff of the IFC had visited some thirty countries either to investigate specific proposals or to explain its policies and operations to private businessmen and investors.

12. In conclusion, he emphasized that although the problems of economic development with which the Bank was contending remained immense, the nature and magnitude of those problems were coming to be more generally understood and they were being attacked by both the less developed and the more developed countries with constantly greater vigour. The Directors, management and staff of the Bank would do their utmost to assist them in that task.

13. Mr. MEIJER (Netherlands) observed that the activities of the Bank now included lending, borrowing, providing technical assistance and training in economic development, and mediating. That versatility had made the Bank truly a world bank.

^{2/} International Finance Corporation, *Third Annual Report, 1958-1959* (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3315); and "Supplement to the third annual report: A summary of developments in the Corporation from July 1, 1959, to January 31, 1960", transmitted to the Council by a note of the Secretary-General (E/3315/Add.2).

14. The President of the Bank had rightly devoted much attention to the Bank's activities in Africa. In that connexion it should be borne in mind that political boundaries did not necessarily correspond with economic needs and should not impede the efficient development of the economic resources of the area, which would call for action by various United Nations organizations. Careful co-operation would therefore be necessary in order to avoid any overlapping or competition between those organizations.

15. In connexion with the imminent establishment of the International Development Association, the Netherlands Minister of Finance had stated at the most recent annual meeting of the Board of Governors of the Bank that the link between the Association and the Bank should not preclude close co-operation between the Association and other international organizations such as the Special Fund and the Technical Assistance Board. The Netherlands Governor of the Bank had also stressed that contributions to the capital of the Association should not necessarily be related to the distribution of shares in the Bank but should be determined from time to time in consideration of the capacity of its members to contribute. In accordance with the proposal of the Bank's Executive Directors, initial participation in the International Development Association had been based on the Bank subscriptions, which had been fixed in 1945 on the basis of pre-war shares in world trade and not specifically on capacity to pay. According to that scale the Netherlands participation in the Association would amount to approximately 2.7 per cent, which was out of all proportion to the contribution of the Netherlands to the United Nations budget, which was 1.01 per cent. Subject to that reservation, the Netherlands Government welcomed the establishment of the Association, which would produce what it had consistently advocated—a substantial addition to the flow of capital to the less developed countries through a multilateral channel.

16. The increasing number of joint operations, in some of which Netherlands banks had shared, was a healthy development. The Netherlands Government welcomed the fruitful co-operation in technical assistance between the Bank and the Netherlands Bureau for International Technical Assistance.

17. The Netherlands Government had been glad to be able to repay its entire indebtedness to the Bank before the date of maturity. The parliamentary procedure for the approval of his country's share in the increase of the Bank's capital had now been completed.

18. Lastly, he expressed the hope that the IFC would continue to expand its activities to new areas of the world.

19. Mr. AUBOIN (France) said that the financial year which had ended in 1959 was the second during which Bank loans had largely exceeded the previous average. There were therefore good grounds for supposing that that was not a temporary phenomenon and that the Bank's operations would continue to expand.

20. While its funded debt had increased less than during the previous financial year, it could nevertheless be anticipated that in the near future the Bank would be obliged to increase its borrowing in order to finance loans to an increasing number of countries. There therefore appeared to be every justification for the increase in capital which had been decided on

in 1958 at New Delhi and had since been successfully put into effect.

21. Ever since its establishment the Bank had rightly maintained that its object was not to use the members' subscriptions directly but rather to utilize them as a basis for first-rate credit in as wide a market as possible. The President of the Bank was entitled to congratulate himself on the results obtained: Bank bonds were disposed of in an ever-increasing number of markets and it was particularly interesting to know that during the financial year 1958-1959 three-quarters of the bonds had been disposed of in markets outside the United States.

22. The past financial year had been distinguished also by an extension of the Bank's action. The French Government, which attached the greatest importance to the development of the African States and itself contributed largely thereto, was glad to note that the Bank was well aware of its role in that crucial task, which was one of the main concerns of the Economic and Social Council. The Bank's experience of development problems was appealed to daily and its role as a technical adviser in that respect was becoming ever more widely recognized.

23. The Special Fund had frequently called upon the Bank in connexion with various projects and the co-operation between the two bodies was of value to both.

24. The French Government was glad to note that the Bank intended to continue co-operating with other bodies dealing with economic development, such as the European Investment Bank and, once it was established, the International Development Association. Those bodies could act most effectively by assisting each other.

25. Mr. DE LEQUERICA (Spain) congratulated the Bank on its exertions during the financial year 1958-1959, which were clearly demonstrated by the figure of \$703 million, the total amount of loans granted by the Bank during the period. That expansion of the Bank's operations had necessitated an increase in the capital subscribed by nearly all the members. The subscription of Spain, which had been a member since September 1958, had increased from \$100 million to \$200 million.

26. In July 1959 Spain, in co-operation with the International Monetary Fund and the Organization for European Economic Co-operation, had launched a programme of economic stabilization which his delegation would describe during the examination of the Fund's annual report. Once the economy had been stabilized, a new exchange rate established for the peseta and the balance of payments rectified, Spain would develop its relations with the Bank. A first step had already been made in that direction: a Bank mission would soon be going to Spain to make a study of the economy and to clear the way for the Bank's future operations in that country, which would then be able confidently to embark on the road to development which was essential for the raising of its people's level of living.

27. Mr. PHILLIPS (United States of America) pointed out that of the total of \$703 million lent by the Bank in the financial year 1958-1959, \$600 million, or more than 85 per cent, had gone to countries in Asia, Africa and Latin America. The United States delegation noted with satisfaction the importance which the Bank continued to attach to projects for developing power

resources and means of transport. The sum of the Bank's loan commitments to African countries for their economic development was particularly encouraging. An interesting aspect was that the projects financed by the Bank bore on the development not only of the infra-structure but also of the mineral and agricultural resources in those countries.

28. The method of joint operations with other public and private financing agencies increasingly used by the Bank for major development projects had obvious advantages in relation to development plans of broad scope. The Bank had also given valuable assistance to numerous under-developed countries through the formation of industrial development banks and development corporations. Those bodies were a valuable means of increasing the flow of private and public investment for economic development and their importance had been duly stressed by the General Assembly in its resolution 1427 (XIV).

29. The Bank's first operations in the field of nuclear energy were likewise of interest.

30. The operations of the IFC, which naturally were smaller in scale than those of the Bank, rested on the principle that private enterprise should play an essential role in economic development. In that context it was interesting to note that some enterprises in which the IFC had a financial interest belonged to local people or were mixed enterprises, and that the number of private enterprises receiving IFC assistance had risen from nine a year ago to twenty-seven at the present time.

31. Since the Council's last session, the Bank's Board of Governors had approved in principle the establishment of a new affiliate of the Bank, the International Development Association. That decision had been welcomed by the General Assembly at its fourteenth session (resolution 1420 (XIV)). The statutes of the Association were now under consideration by the members of the Bank. President Eisenhower had asked Congress to approve United States participation, and the authorization bill was awaiting final Congressional action. In his message to Congress on that subject, he had set out the reasons for which the Association deserved the support of all the free nations. It was to be hoped that a sufficient number of Governments would join in time for the Association to come into being as soon as possible after 15 September 1960.

32. Mr. AHMED (Sudan) expressed great satisfaction at the Bank's increased contribution to the economic expansion of new countries. The development of the under-developed countries was the yardstick of solidarity and international co-operation in the economic field. The Bank's activity in the past year had been highly encouraging from that point of view, but the world's needs were enormous and called for even greater assistance.

33. The importance of the Bank's loan commitments lay mainly in the opportunities for employment created by them, in the growth of revenue which they brought about, in the higher level of living which they made possible, in the new opportunities for investment that they opened up, and in the example furnished to other international and private financial institutions. By making investments in essential sectors like the generation and distribution of electric power, or transport, the Bank removed the obstacles hampering the flow of capital to the countries in need of it. The

Sudan had been fortunate in getting from the Bank a loan of \$39 million for the expansion and improvement of its railways network; thanks to that assistance, it had put in hand major work which would have a considerable impact on the country's future development and on the exploitation of its natural resources.

34. At the twenty-fifth session the Sudanese delegation had drawn the Council's attention to the advantages of allocating the Bank's loans not only as between countries but also as between continents, and it had expressed the hope that the Bank would be in a position to devote particular attention to the continent of Africa. It was therefore gratifying to note that the Bank had responded to those representations, not only by increasing the loan commitments to African countries but also by studying the problems of those countries on the spot.

35. The decision to double the Bank's authorized capital and, in addition, to increase the subscriptions of seventeen members was a happy one, because it made it possible to increase the Bank's resources at a time when many countries, particularly those producing primary commodities, were in great difficulties as a result of lower revenue from exports and unfavourable exchange trends.

36. He particularly welcomed the growth of the new method of joint operations. That method clearly had the double advantage of diminishing the pressure on the Bank's resources and of creating new sources of finance beneficial to member States.

37. He noted with great satisfaction that, of the new bond issues, only one had been sold in the United States market, all the others having been offered and subscribed in Europe, especially in the Federal Republic of Germany. That was an encouraging sign of the prosperity of Europe's industrial States, and of the readiness of European investors to participate in the Bank's activities.

38. The appearance of new financial institutions was also a happy development. The Special Fund and the European Investment Bank had begun operations in the course of the past year. He welcomed the forthcoming establishment, with the Bank's assistance, of new financial bodies such as the Arab Financial Institution for Economic Development, the Inter-American Development Bank and the International Development Association.

39. The importance of the Bank's lending operations should not overshadow the importance of its technical assistance and liaison activities. A valuable contribution had been made by the survey missions, whose objective reports met an essential need for all developing countries. Furthermore, the Bank's experts had expressed highly useful opinions on development programmes, especially with regard to the setting up of development banks and to the appraisal of projects.

40. The private sector lagged dangerously behind the public sector in less developed countries, and as a result the Governments had to play a more important role in the development process than was perhaps necessary. The setting up of the IFC, whose aid was channelled to private enterprises in those countries, met the need of making early preparations for efficient participation by the private sector, thus filling a real gap. He hesitated to pass judgement but

he was sure that the IFC would be able to carry out its heavy task. He was encouraged by the progressively larger amounts invested by the IFC; the variety of projects financed by it bore witness to the flexibility with which it functioned. One of the most important aspects of the IFC's activity was its assistance in organizing capital markets in developing countries. That was a new phenomenon, initiating a healthy development which the IFC was right to encourage by an effective participation. He was happy to say that experience had shown that savings inside the Sudan were undoubtedly larger than was sometimes thought, and it ought to be possible to canalize them in the right direction.

41. Although the formation in the advanced countries of groups for the purpose of providing long-term finance for economic development was certainly an important phenomenon, he hoped that they would not act contrary to their own objectives by imposing upon small nations conditions which the latter would be unable to meet. It was normal for such groups to expect to derive from their operations profits commensurate with their efforts, but they should understand the difficulties of developing countries and grant them some concessions. Foreign investment in those countries still aroused fears and suspicions which investors should try to dissipate rather than accentuate.

42. Mr. SOSA RODRIGUEZ (Venezuela) said that he had noted with satisfaction the report submitted to the Council, which revealed the importance of the Bank's work. Venezuela was particularly grateful to the Bank for having sent to Caracas, during the last quarter of 1959, a survey mission whose report would provide the basis for a vast investment programme.

43. The Government of Venezuela had accepted the financial obligations imposed upon it by the decision to increase the Bank's capital. Parliament, which would be meeting shortly, would consider the adoption of the necessary legislation to give effect to that decision.

44. Mr. MATSUDAIRA (Japan) welcomed the expansion of the Bank's activities indicated by the report submitted to the Council.

45. In under-developed areas, particularly in countries whose foreign exchange earnings depended on the export of commodities, the assistance of the Bank had played a most important part. Japan had benefited considerably from the Bank's loans which had, in particular, helped it to counteract the harmful effects of the recession at the end of 1958; since that date, Japan had experienced a period of economic prosperity and expansion, and for the budgetary year 1959 the increase in the gross national product, as compared with the previous year, had reached the exceptional figure of 15 per cent.

46. The joint operation carried out by Japan and the Bank during the past year represented, for the Japanese Government, the first issue of bonds to be sold on foreign markets since the war. It was clear that the operation's success had been made possible only by the Bank's assistance. Japan itself had done everything in its power to conform to the Bank's objectives. It had authorized the Bank to utilize 18 per cent of its subscription in yen and, when the decision to double members' subscriptions had been taken,

Japan had voluntarily made arrangements to increase its own subscription by more than 100 per cent, thus placing at the Bank's disposal supplementary funds for its loan operations. In that connexion he would add that his Government was prepared to give active support to the International Development Association.

47. Since the greater part of the funds necessary for its lending operations was assembled by the Bank on the money markets, its rate of interest inevitably depended on the rates current in those markets. As a result, the Bank's rates were sometimes higher than those of other international financial organizations which depended entirely on funds supplied by Governments. It must be remembered however that the Bank had been created for the purpose of supplying financial assistance for the economic development of member States and, in view of the fact that part of its capital consisted of subscriptions not bearing interest, it should make a point of constantly reviewing its interest rates.

48. He noted with satisfaction the part played by the Bank as mediator in international disputes, and in that connexion he wished to pay tribute to the efforts made by its President towards the settlement of a long-standing dispute between the Municipality of Tokyo and the French bondholders.

49. Finally, he was glad to note that the lending operations of the IFC, which had at first been concentrated on projects involving Latin American countries, had gradually been extended to other areas. A growth of IFC investments in less developed countries was most desirable, since it would open the way to a flow of private capital into those areas.

50. Mr. DUDLEY (United Kingdom) congratulated the President of the Bank on his statement. It was a great advantage to the Council, each year, to hear the reflections of the heads of the Bank and IMF before getting down to their own discussions of economic affairs. On that occasion Mr. Black's account of the Bank's work in Africa, and his own approach to it, was an admirable preliminary to the Council's forthcoming discussion of assistance to newly independent countries. The United Kingdom shared Mr. Black's appreciation of the importance of action at the level of the individual as well as on a large scale: that was particularly relevant to United Nations operations. He also welcomed Mr. Black's emphasis on education and the training of administrators.

51. The United Kingdom, which was the second largest subscriber to the Bank's capital, had always supported its activities and had fully supported the proposal that members' subscriptions should be doubled. It was satisfactory to note that most of the member countries had already taken the necessary steps to that end, and that some of them had also arranged for the special increases in their subscriptions called for in the Governors' decisions.

52. The United Kingdom had now authorized the Bank to utilize the 18 per cent of its subscription paid in national currency: £68 million sterling had already been put to use, and it was likely that, before the end of the year, the 18 per cent of the United Kingdom's subscription would have been entirely committed. Subsequently the Bank would still be able to obtain sterling on the London market, where it had already raised a loan of £10 million in December 1959.

53. By directing the flow of mainly private capital towards the less developed countries, the Bank had become an important instrument in the economic development and multilateral trade on which world prosperity depended. It had however been evident for some time that the regulations governing its activities were preventing the Bank from operating in certain very important fields, and that certain countries, by obtaining loans from the Bank, were at the same time exhausting their credit with it. In order to solve those problems, the United States Government had proposed the creation of the International Development Association, a step which had been warmly welcomed by the United Kingdom Government. Legislation which would permit the United Kingdom to join the new Association had been submitted to Parliament, and his Government hoped that the Association would be able to begin functioning towards the end of the year. He hoped that the territories under United Kingdom administration would benefit from the arrangements made for the Association's assistance to dependent territories. He hoped to see fruitful co-operation between the United Nations and the International Development Association, such as had existed with the Bank itself.

54. The activities of the IFC, which were naturally smaller than those of the Bank, had expanded considerably during the past year. His delegation was convinced that that expansion would continue, and found special encouragement in the fact that the IFC was now prepared to make at least a part of its investments in currencies other than dollars if the stability of those currencies, and the terms of the investments in question, so permitted.

55. He wished to refer to the successes achieved by the Bank in spheres of activity other than borrowing and lending. Tribute should be paid to the efforts made by the Bank and the Governments concerned to make the important Indus Basin project a reality; his own Government was proud to be able to take part in the execution of that project. The United Kingdom Government had also been keenly interested in the development of the Economic Development Institute. Participants from the United Kingdom overseas territories had attended the Institute's courses and he hoped that their number would increase in future. He emphasized, in conclusion, the importance and usefulness

of the survey missions and missions of experts organized by the Bank.

56. Mr. ORTIZ MARTIN (Costa Rica) recalled that, for lack of the necessary capital, the under-developed countries could not make the most of their resources or become industrialized. For that reason the Bank should endeavour to grant them more and larger loans, on more favourable terms, so as to help towards the general elimination of that poverty which was the main obstacle to the maintenance of world peace.

57. During the period under consideration, the loans granted to the twenty countries of Latin America had been very much below the level of those countries' needs. He in no way wished to criticize the Bank but desired to stress the fact that, given the disproportion between the needs and the resources of the under-developed countries, mere palliative measures would never suffice to solve the problem permanently.

58. Moreover, all the loans granted by the Bank had been on a basis of 6 per cent interest—a very high rate, which not only represented a heavy burden for the receiving countries but in a sense detracted from the value of the Bank as an institution. For that circumstance the Bank itself of course was not responsible, since the funds it lent were acquired from sources from which it had to borrow at a rate sometimes amounting to 5 per cent; but such a state of affairs reflected a marked cleavage between under-developed and developed countries, and a tendency by the latter to impose their economic power directly or indirectly on the former. It was admittedly desirable to protect the economic structure of the advanced countries, since that was indispensable to world economic progress; but ways and means should be found for granting lower rates of interest, at least in certain special cases. Whereas the banks of certain countries with a strong economy—some Swiss banks in particular—were granting loans at a rate of 3.5 per cent or less, recourse to international financial institutions, which was clearly always more desirable, was made extremely difficult by the very rigid terms which those institutions imposed.

59. He explained that his observations were made in a constructive spirit, and congratulated the Bank on the work it was doing.

The meeting rose at 1 p.m.