UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS

Fourteenth Session, 609th MEETING

Wednesday, 18 June 1952, at 11 a.m.

NEW YORK

CONTENTS

***President:* Mr. S. Amjad ALI (Pakistan).**

Present: The representatives of the following countries:

Argentina, Belgium, Canada, China, Cuba, Czechoslovakia, Egypt, France, Iran, Mexico, Pakistan, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Observers from the following countries: Chile, Netherlands, Turkey, Yugoslavia.

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.

Economic development of under-developed countries (*continued*): (*a*) Report of the International Bank for Reconstruction and Development on the question of creating an international finance corporation (Council resolution 368 (XIII), paragraph 13) (E/2215, E/L.366 and E/L.367) (*continued*); (*b*) Methods of financing economic development: report by the Secretary-General under Council resolution 368 C (XIII), paragraph 14 (*b*) (E/2182, E/2234, E/2242 and Add.1, E/L.363 and Corr.1 and E/L.365) (*continued*)

[Agenda items 5 (*a*) and (*b*)]

1. The PRESIDENT called upon the representative of Chile who had asked to speak before the Council on the item under discussion.

2. Mr. SANTA CRUZ (Chile) began by saying that the United Nations was passing through a serious crisis, the causes of which he described briefly. On the one hand, the United Nations had taken the decision to oppose the aggressor in Korea with collective action, and that decision, which was unique in the history of mankind, had unleashed a flood of violent propaganda intended to minimize the scope and import of that action. On the other hand, the world was witnessing the rebirth of isolationism and ultra-nationalism. The attitude of the United Nations could not be said to have been apposite during the past few months to face that situation. Indeed, it had proved itself incapable of assuming the part of guide and mentor assigned to it by the San Francisco Charter. It had, during the past few months, ignored the important problems besetting mankind, which had worsened to such an extent that international tension has almost reached breaking point. Furthermore, the hopes for disarmament, born during the sixth session of the General Assembly in Paris, were daily receding, and the body which had been set up to consider the possibilities of disarmament had served only as a rostrum for propaganda speeches. Those were the origins of the crisis through which the United Nations was passing. The Economic and Social Council had a most important part to play in that crisis. The drafting of international development programmes for the under-developed countries was the only activity in which the United Nations could engage immediately with a view to winning over millions of human beings to the cause of international co-operation. Accordingly, the Council should not disappoint the peoples and should prove to them that the United Nations was still a living and powerful reality capable of influencing the political, economic and social problems of the world.

3. He proceeded to review recent events in the economic field. At the sixth session of the General Assembly the Chilean delegation had examined the problems peculiar to the under-developed countries and the most effective international methods for solving them. It had, at the time, come to the conclusion that

urgent action was needed, particularly in regard to financing on a large scale. Recent events had confirmed the correctness of the Chilean view. First, the Secretary-General's preliminary report on the world social situation (E/CN.5/267) had established the fact that two-thirds of the population of the entire world were suffering from lack of food, clothing, medical care, education and culture, at a time when millions of human beings in the under-developed countries were beginning to be aware of their rights to justice and to a decent way of life. Furthermore, the *World Economic Report, 1950-51*,[1] pointed out that the world's supplies of food continued to increase less rapidly than its population and far less rapidly than its output of industrial goods; the under-developed countries were naturally the most keenly affected by that situation. Another fact which should be pointed out was the appreciable decline in the prices of raw materials and commodities which were the main resources of the under-developed countries; those countries were, therefore, particularly vulnerable to fluctuations in international markets. In addition, some buyer countries fixed the prices of raw materials. The fixing by the United States of the price of copper at 27½ cents per pound, when the current price on the world market was about 40 to 45 cents or more, had reduced Chile's dollar revenue by approximately $250 million, a sum far exceeding the loans which had been granted to Chile by the International Bank and the Export-Import Bank to finance its economic development programme.

4. Inflation was another factor affecting the under-developed countries, and to illustrate his point, Mr. Santa Cruz quoted the cost of living indices of a number of countries. He also referred to the drop in exports from Europe, as evidenced by the statistics of the Economic Commission for Europe. The only way in which the Western European countries could counteract that drop was to open new markets, which could only be done by increasing the purchasing power of the under-developed countries. The President of the International Bank had stated (605th meeting) that in the past fiscal year the Bank had made loans totalling $294 million and that during the subsequent nine months it had made loans to the amount of $212 million. While he was gratified to note that progress, he regretted that the Bank had been unable to meet the needs of the under-developed countries to the extent recommended by the experts. Those were the most recent developments in the economic situation.

5. Of the measures conducive to economic development, some, which the Council had recommended to the General Assembly, like agrarian reform and technical assistance, appeared as separate items in the Council's agenda. Furthermore, the Secretary-General's report spoke of the need to elaborate new techniques for stabilizing the demand for and prices of primary commodities traded internationally.

6. The under-developed countries were realizing more and more what their raw materials meant to them. They were not only the foundation of their economic progress but of their livelihood, for the commodities had to be used to pay for imports of food, manufactured products and equipment. That explained why the under-developed countries felt so strongly about trade restrictions and artificial price-fixing; it also explained why the people of those countries were disturbed by the fact that a large share of the profits derived from the exploitation of their national raw materials went to foreign companies. Accordingly, it was imperative to obtain international arrangements that would enable the countries producing raw materials to receive from their resources benefits commensurate with their ownership of the soil and with the amount of labour furnished by the inhabitants; those countries should have a say in the fixing and stabilization of prices and should be assured of a supply of equipment and machinery for transforming locally at least part of their commodities. It was no accident that, on the initiative of some under-developed countries, it had been proposed that the covenant of human rights should include an article guaranteeing the people's right to their natural wealth as their means of subsistence, such right to prevail over any rights claimed by other States to the same resources. It was the function of the international organizations to ensure the implementation of agreements in which the interests of all were properly safeguarded, so that natural, technical and financial resources could be utilized in common for the well-being of all mankind.

7. He proceeded to discuss the question of financing, which took two forms—public and private—which were complementary. The creation of an international finance corporation would certainly represent an appropriate solution for countries which had reached a certain degree of economic development, such as Chile, but it was quite unsuited for financing basic development projects, especially those which were not self-liquidating and which, as the General Assembly and the Council had recognized, required a large flow of public capital. Yet it would be wrong to postpone the study of measures for increasing public investments on the grounds that special attention was being paid to increasing private investments. The under-developed countries had in fact stated that they were first and foremost interested in the public investment needed to finance basic projects such as the construction of roads, power plants and drainage works. It was only after preliminary works of that kind had been completed, that it would be possible for private investments to finance private enterprise.

8. In the working paper (E/2234), the Secretary-General had produced an excellent report; in its preparation the Secretary-General had played a personal part and had taken a clear position with respect to the problem of economic development, placing a solution of that problem among the high objectives of the United Nations and hence of the Secretariat.

9. Extraordinarily clear, objective, cautious and realistic though it was, the working paper did not go as far as he, Mr. Santa Cruz, would have wished. It was, however, obviously designed to meet all the objections which had been raised. He congratulated the Secretary-General on having had the strength of character to take, in so controversial a matter, the only position consistent with the general interests of the world, of peace, of the future of the Organization and the well-being of the inhabitants of the globe, though for various reasons that position might not entirely satisfy the five great Powers.

[1] United Nations Publications, Sales No.: 1952.II.C.4.

10. The study's chief merit was to demonstrate the feasibility of creating a special fund for economic development, the cost of which would not be exclusively borne by a single country; it had also shown that it was not absolutely essential for all contributions to be in United States dollars. In that way it had defeated the unexpectedly malicious campaign conducted against that idea. Two days earlier the bulletin issued by one of the leading United States banks, the Chemical Bank and Trust Company, had quite incorrectly announced that there was a proposal to implement a financial plan, for which the United States would provide the financial backing and had of course added that the adoption of such a plan would not enhance the Council's prestige.

11. In reality, the Secretary-General's working paper provided the material the Council needed in order to comply with the precise instructions contained in resolution 520 (VI) to submit to the seventh session of the General Assembly detailed plans for the establishment of an international fund for grants-in-aid and long-term low interest loans to the under-developed countries.

12. All that would be needed was that the Council should set to work with the same energy, determination and resolution as it had shown in drawing up the Expanded Programme of Technical Assistance in July and August 1949, particularly as it was in possession of much fuller information on which to base its conclusions regarding the financing of economic development. However, though the under-developed countries were convinced that that was the right course, they were nevertheless prepared to give further evidence of their patience, their desire for co-operation and their stoicism in the face of the grievous reality constituted by the lack of political vision of the great Powers, which failed to appreciate the discontent and uneasiness prevalent in the under-developed countries. Those countries were prepared to agree that the question of creating an international fund should be the subject of a further preparatory study, provided they were assured that that would not involve a period of suspended animation followed by burial. They wished to be sure that progress towards the creation of the fund would continue.

13. That was the prudent and co-operative attitude which the weak countries in the United Nations had always adopted with regard to economic development and other matters. If those nations, which constituted the overwhelming majority of Member States, had waged an open and resolute battle at the sixth session of the General Assembly to secure the adoption of resolution 520 (VI) in the face of the determined opposition of the industrial countries, the reason was that they had discerned in that strong opposition to so cautious a project a resolve to kill an initiative which the weak countries regarded as the most logical and appropriate solution of the problem of financing economic development.

14. Their conciliatory attitude was reflected in the joint draft resolution (E/L.363 and Corr.1) submitted to the Council by the Cuban representative on behalf of seven under-developed countries. The draft would have the effect of postponing practically for a year the implementation of the General Assembly's instructions to submit detailed plans for the creation of an international development fund to its seventh session. At the same time, it provided for the appointment of a committee to undertake the preparatory work, on the basis of which the Council would be able in 1953 to work out any plan that the General Assembly might ask for.

15. Satisfaction was thus given to the argument, which might or might not be valid and sincere, that having regard to the present international situation and to the political position of certain Member States, no decision capable of making a practical contribution to the creation of the fund could be taken at the current session of the Council or at the seventh session of the Assembly.

16. On the other hand, although the under-developed countries were not proposing that the Council should take a definite decision regarding some of the provisions or features of the fund, they were asking it to conduct its studies with a view to the submission of the most comprehensive possible proposals based on considerations selected from among those formulated by the Secretary-General and supplemented by the joint draft resolution (E/2234). That was the minimum guarantee those countries were demanding to ensure that the value of the guiding idea was not impaired and that situations would not develop which would preclude its future realization or afford the Council a pretext for acting in a manner different from that requested by the General Assembly.

17. The under-developed countries were not asking the Council to take a policy decision that might jeopardize its future freedom of action, but merely to direct the work of the preparatory committee in the particular direction, which seemed the most logical and feasible at the present time.

18. He had been surprised at the information published in *The New York Times* on the financing of the international fund; the report distorted the facts and could only be intended to undermine the prestige of the under-developed countries. Those countries had been depicted as utterly irresponsible; ideas of the kind which the Council was considering had been described as castles in the air and the motive of tapping the United States Treasury was invariably imputed.

19. Other arguments, which had been stated by the Swedish representative at the previous meeting, had also been adduced. The under-developed countries were always being told what they should do; there was talk of a better distribution of wealth, land reform, a large-scale international plan for economic development and so on. But, while it was true that wealth was at present unevenly distributed, the best conceivable distribution would not be enough to solve the problem. Land reform was admittedly essential, but, as a number of organizations had pointed out, enormous capital would be needed to undertake that revolutionary step by the redistribution of purchased land. In short, something more than childish reasoning was needed for dealing with the problem; it required international action. The under-developed countries were not asking for charity.

20. The truth of the matter was that the under-developed countries, first in a rudimentary and almost instinctive manner and then through reasoned and organized debate, had decided to demand of the United

Nations the fulfilment of one of its fundamental purposes as set forth in Articles 55 and 56 of the Charter, namely the achievement of higher standards of living, full employment and conditions of advancement and welfare throughout the world. They knew that they had a right to international co-operation for that purpose, since that right was a consequence of the express terms of the Charter. They felt quite rightly that they could not be required to fulfil certain obligations imposed by the Charter, particularly with respect to collective security, if nothing was done, by way of counterpart, to ensure full application of all the provisions of the Charter, which were inseparable. The under-developed countries realized that general economic stability and even the maintenance of peace depended on their development.

21. The representatives of industrial countries had never disputed the vast needs of the under-developed countries or the problems facing them. Nor had they denied that international action in favour of those countries was necessary and even essential; nor had they disputed the contention that a new source of international financing was needed. They had never asserted that the International Bank was in a position, either constitutionally or financially, to provide such assistance or that it was preferable to resort to bilateral aid. They had, on the contrary, openly accepted the position of the under-developed countries as he had described it. They had of course requested that other recommendations should also be made, for example those relating to the internal effort of countries—a question upon which there had been general agreement—and had proposed other recommendations with respect to private investments for certain types of projects, a question which had also received the support of the majority and which had led to the drafting of the plan submitted by the International Bank (E/2215).

22. The under-developed countries had agreed to wait another year and in the meantime to continue to study and work towards solutions. They had not been convinced of the cogency of the arguments advanced by the industrial countries because they believed that in no case should programmes of rearmament or of defence against aggression cause the postponement of the economic development of the backward countries and because many of them felt that the cold war would continue for a long time, and their economic development was an indispensable element of any plan of collective security.

23. The under-developed countries wished to believe that the industrial countries genuinely desired a real economic development in backward areas, that they feared neither commercial competition nor the economic and political strengthening of the countries in those regions, neither the loss of their economic and political influence nor the possibility that the Non-Self-Governing Territories might reach a stage of economic maturity at which they would be able to exercise the right of self-determination which was one of the fundamental principles of the Charter. The under-developed countries wished to believe that the industrial countries would not refuse to provide them with economic assistance through the United Nations and that they were convinced of the indivisibility of crisis and prosperity and of the interdependence between the stability of their economy and the economic development of backward areas, as they had indicated in numerous resolutions in the Council and the General Assembly.

24. However, the statement by the representative of Sweden was not calculated to inspire optimism. There was talk of the trade position of the wealthy countries, but the economic and social problems upon which the future of the world depended was hardly touched upon.

25. The countries of Eastern Europe which so often advised the under-developed countries to seek the path of their economic independence, and which had so often declared themselves in favour of the economic transformation of those countries, were being presented with another opportunity to prove the sincerity of their declarations. If they supported a solution advocated by the immense majority of the under-developed countries —something which they had very rarely done in the past—they would be disproving the oft-repeated charge that in stressing the shortcomings, the problems and the poverty of the under-developed countries, they wished merely to engage in political proselytism and criticism. They would be proving that they were sincere in arguing that the communist and other regimes could live together in peace and harmony, that, contrary to a widespread belief, it was not true that they did not wish to co-operate with governments in the manner expressly prescribed in the Charter, with its stipulations concerning sovereignty and non-interference in the internal affairs of States, and that their attempts to reach an understanding were not confined to minority groups and groups in opposition to governments.

26. Active co-operation by the Eastern European States in carrying out United Nations economic development programmes (technical and financial assistance) would go a long way towards political understanding and would be a powerful contribution to an easing of international tension.

27. According to the Charter, the Economic and Social Council was one of the principal organs of the United Nations. Although it acted under the authority of the General Assembly, it had been conceived as an independent entity called upon to be the highest world authority in the drafting of international policy in its broad field of competence. Its periodic meetings should be world events of paramount importance. While careful to restrain the individual deviations of its members —logical and understandable in a world in which international co-operation was still in its infancy—the Council should pursue an earnest and bold policy, such as would encourage the great forces in all countries which were more clearly aware of the dangers and needs of the moment, a policy hastening the process of adapting the planned economics to the sweeping drive of phenomena which had transcended boundaries and oceans and which ever more urgently called for the organization and co-ordination of national, economic and social policies with a view to common progress.

28. In the circumstances, it was distressing to note that again and again over the past few years the General Assembly had taken decisions which were tantamount to an outright rejection of the Council's policy; in some cases the Assembly had adopted resolutions concerning development and other economic questions which were well thought out and complete but which

were more within the competence of the Council than of the General Assembly.

29. The General Assembly's true function was to give general guidance and to review the Council's policy, not to make detailed recommendations. Presumably it had gone beyond those functions in recent years in the belief that it ought to repair the Council's' omissions.

30. Such was the truth of the matter and the divorce between the Council and the General Assembly was daily becoming more pronounced, a regrettable state of affairs which should be brought to an end as early as possible since the Council was held to represent the views of the majority of the Member States. The under-developed countries, which formed the majority in the General Assembly, naturally rejected the criticism that they lacked a sufficient sense of responsibility or of reality.

31. The Council must not become a sort of committee of the General Assembly made up of a few of its members. It should be equipped to perform its function of guiding international co-operation, as laid down in Article 60 of the Charter. Furthermore, its measures and policy should reflect the views of a large majority in the General Assembly and the Assembly should feel that it was properly represented in its central thought by that great permanent organ, the Economic and Social Council. So far as economic development was concerned, the resolutions adopted since 1948 and the debate which had led to their adoption could leave no doubt in the Council's mind what that central thought was.

32. In view of those considerations, he appealed to the members of the Council not to weaken the task which the General Assembly had conferred on it after one of the most candid, open and thorough debates in the history of the United Nations.

33. Chile, while not a member of the Council, remained devoted to its work and would continue to give its unqualified support to any action likely to strengthen the Council's prestige and influence inside and outside the United Nations. Chile would deem it an honour, a privilege and a source of satisfaction if, at the seventh session of the General Assembly, it could endorse all the Council's action; Chile did not wish to witness a repetition of the events of 1951 when the under-developed countries had had to appeal to the highest authority of the United Nations because the Council had refused to act upon directives which could not have been more precise.

34. If the Council adopted its compromise proposal, Chile would undertake to give its full support in the General Assembly to any measures taken by the Council to solve the problem.

35. Mr. HASAN (Pakistan) said the question of the economic development of under-developed countries had been on the agenda of the Economic and Social Council, in one form or another, since the Council's establishment. He summarized briefly the main stages of that work since the establishment of the Economic and Employment Commission in 1946 until the appointment of groups of experts which had prepared reports on *National and International Measures for Full Employment*[2] and *Measures for the Economic Development of Under-developed Countries.*[3] At its sixth session, the General Assembly had shown particular concern for the financing of non-self-liquidating projects and had recommended the Economic and Social Council to make a careful study of the problem of setting up new agencies for economic financing.

36. Pakistan had invariably endeavoured to help in furthering the economic development of backward countries; it had urged the establishment of an international finance corporation; it had invited the Economic Commission for Asia and the Far East to meet in Pakistan in 1951, and had sponsored a resolution urging the advanced countries not to allow armaments to impede the supply of capital equipment to the under-developed countries. In addition, Pakistan had taken the initiative in organizing the International Islamic Economic Organization, which had already held three sessions and which proposed to set up an Institute of Economic Studies.

37. Accordingly, the question of the economic development of the under-developed countries had been under study for several years in all its aspects. There could no longer be any doubt of the urgency and importance of the task. As a representative of an Asian under-developed country, he recalled that, in countries like his own, the question was not one of choosing between comfort and luxury, but of delivering millions of people from the most dire material distress and providing them with the most indispensable food and medical supplies which they now lacked.

38. He wondered up to what stage of the process of its development a country might legitimately seek international assistance. The Council's concern should not extend beyond the stage where a people could be ensured the elementary needs of life. Those elementary needs included adequate medical services, education and a certain amount of cultural activity. The purpose of assistance must be to enable the beneficiary country to strive effectively towards the full use of its resources.

39. No one had ever tried to estimate either the requirements or the resources available for economic development. The requirements could be assessed only within a framework of concrete development plans, such as the Colombo Plan. It did not seem that the Council or any group of experts would be in a position to estimate those requirements in the foreseeable future. In his opinion, past studies had been academic rather than practical.

40. As for the International Bank for Reconstruction and Development he said the size of the Bank's loans would remain inadequate for a long time to come, because the credit of the borrowing countries was not yet sufficiently sound. The resolutions adopted by the General Assembly and the Economic and Social Council concerning the Bank seemed to lead to the assumption that that institution did not finance so-called non-self-liquidating projects. Nevertheless, at the last meeting of the Colombo Plan Organization, held at Karachi in March 1952, the representative of the Bank had stated that the Bank was willing to finance suitable non-self-

[2] United Nations Publications, Sales No.: 1949.II.A.3.
[3] United Nations Publications, Sales No.: 1951.II.B.2.

liquidating projects, and had already done so, for example, in Ethiopia. Nevertheless, the Bank's attitude sometimes seemed to be unduly harsh; hence it was concluded that the Bank would not, as a rule, finance projects which did not hold out the certainty of being profitable in a commercial sense.

41. Industrial projects would never lack finance, whether the source was private investment, the International Bank, or the proposed international finance corporation; but he thought it would be extremely difficult for an international agency to distribute fairly the financial assistance assigned to general economic development; the Pakistan delegation therefore considered that the resources of the special fund should be reserved solely for reclaiming arid lands and for the development of agriculture, forms of economic development which were vital, not only to the under-developed countries themselves, but also to the whole world. The improvement of agricultural methods, though sorely needed, was inadequate in itself. Only the cultivation of new lands could relieve rural over-population and make it possible to settle millions of agricultural labourers and refugees.

42. The programme of land reclamation, though vital, could not be profit-making in the narrow sense of the word and hence would not be financed by private investment or by the Bank, or by the proposed international finance corporation. He referred to paragraph 2 (*a*) of General Assembly resolution 520 (VI) and pointed out that only the special fund would be in a position to finance the reclamation of arid lands and the development of agriculture.

43. The group which was to prepare the working plan for the special fund should consist, not of theoreticians, but of administrators conversant with similar problems in their own countries. The group ought to lay down as a necessary condition for a grant from the fund that recipient countries must be guided by the administrators of the fund in respect of the establishment and operation of the relevant projects, since it was essential to ensure that the grants from the fund were properly used.

44. He concluded by quoting from a statement made by the Prime Minister of Pakistan during the seventh session of the Economic Commission for Asia and the Far East, to the effect that the peoples of Asia could not sustain their faith in democracy unless there was an immediate improvement in their living conditions.

45. The PRESIDENT called upon the representative of Yugoslavia to address the Council.

46. Mr. BEBLER (Yugoslavia) said that the discussions of the question of the economic development of under-developed countries in the General Assembly and the Economic and Social Council had shown that all States recognized the necessity of granting those countries greater assistance than had been given in the past and the need for United Nations action. Some countries believed that it would be enough to develop the export of capital by private banks, individual governments, or the International Bank, while other States urged the establishment of a new United Nations agency, which would, from the very beginning, use new methods on a broad scale. His delegation was convinced that the adoption of the second solution was urgently necessary and vitally important to all countries.

47. The gap which separated poor and wealthy countries was constantly widening, not as the result of fortuitous circumstances, but as the result of the increasing difference between the productivity of labour in the two categories of countries. In support of that argument, he quoted figures communicated by the American economist, Mr. Fuller, to the Massachusetts Institute of Technology, which showed that, owing to the mechanics of the formation of world market prices, wealth tended to flow at an ever-increasing rate from under-developed countries to developed countries and that the disequilibrium between the productive capacity of the latter and the purchasing power of the former also tended to increase even faster.

48. He did not wish to assert that financial assistance given by a new United Nations Agency by means of grants and long-term, low-interest loans was the only possible form of international action; the International Bank, the Technical Assistance Administration and the specialized agencies had already rendered great services in that respect. Nevertheless, direct financial assistance on a scale and under the conditions made possible through the combined efforts of many States surely represented the most effective method of attaining the desired end. In that spirit, the Yugoslav delegation had become a co-sponsor of the joint draft resolution (E/L.363 and Corr.1).

49. Despite the urgency of the task, the draft resolution did not suggest any undue haste. The project of the Preparatory Committee would be examined by the Economic and Social Council at its fifteenth or sixteenth session and would then be submitted to the General Assembly at its eighth session in 1953.

50. The authors of the joint draft resolution had based their conclusions concerning the guiding principles of the fund on paragraph 32 of the working paper drawn up by the Secretary-General (E/2234). With regard to the operational principles of the fund, he referred to paragraphs 22, 23, 28 and 42 of the working paper, which might be summarized in the following four propositions: first the economic development of under-developed countries should be based on integrated programmes of development; secondly an integrated programme included both the carrying out of basic technical projects and the laying of sound economic foundations for the country as a whole; thirdly the adoption of integrated programmes implied that the development of under-developed countries depended primarily on the efforts of the people of the country concerned; and fourthly the assistance given to a country would therefore depend essentially on efforts made by the country itself.

51. Mr. MORALES (Argentina) said that his delegation had noted with particular interest the International Bank's report concerning the establishment of an international finance corporation (E/2215). It had also listened carefully to the relevant comments and statements by representatives of Council members.

52. His own delegation would prefer not to make a statement at that early stage in the general debate on the two items related to the problem of financing eco-

nomic development—the establishment of an international finance corporation and the creation of a special fund. Actually the two items formed an indivisible whole.

53. The Council was for the moment still considering general principles which were the same in both cases; the proposed, essentially technical, methods of operation reflected certain major differences which would have to be reconciled when the time came to adopt specific measures.

54. He felt that the Council should concentrate on those principles for the purpose of laying down rules and standards and of making recommendations for achieving the economic and social purposes of the Charter. The Council had a function which it could not evade: it was, within the limits of its competence, the highest United Nations authority responsible for studying international economic and social problems and its duty was to submit advice and programmes of action to the General Assembly.

55. The question with which the Council was concerned did, of course, present technical aspects, but it should view them chiefly from a political point of view, to determine how they affected the life of the international community. The Council was particularly qualified to consider such problems fairly, because it was a body of equal, sovereign nations.

56. Financing had to be regarded as a tool, a most important tool, but still a tool for achieving the real objective—the economic development of the under-developed countries. However, the comments he had heard on the Bank's proposal for the establishment of an international finance corporation had dealt with capital investment problems rather than with the difficulties of the countries in which the capital was to be invested.

57. According to some, the chief problem was to obtain financial resources by inducing investors to place capital at the disposal of those needing it. But the problem was quite different. The world was placed before a clear-cut alternative: unless a decisive effort was made to find a practical solution to the problems facing half the world's population, those problems would shortly result in a crisis with incalculable consequences for the whole world.

58. Capital could, of course, play an important, effective and useful part in economic development; however, if it was intended to abolish unfair privileges, the possession of a material asset like money ought not to entitle its owners to abuse their power by imposing rules of behaviour upon those urgently needing capital for their very survival.

59. In addition, business undertakings ought to be protected by guarantees so that they could carry on their lawful business normally. Those were general considerations. However, he did not feel that the Council had as yet sufficient data to express a formal opinion as to the proposed international finance corporation. For that reason, the Argentine delegation considered it advisable to postpone its statement.

60. It had been said during the debate that the under-developed countries should make positive efforts to achieve their own development. But the under-developed countries were not completely immobile while awaiting economic aid. According to *Partners in Progress* they had provided 58 per cent of United States imports in 1950 and that in 1949, 57,000 tons of merchandise traded between under-developed countries and North Atlantic Treaty countries had passed through the Suez Canal.

61. By contrast, technical progress, in every case, benefited exclusively the industrial countries. Assuming 100 to be the quantity of manufactured goods which would be acquired with a given quantity of raw material between 1876 and 1880, that figure had dropped to 64.1 in the period between 1936 and 1938, a loss of 35.9 per cent to the producers of raw materials.

62. In the industrial countries productivity had risen, but corporate profits and the incomes of workers had risen even more steeply; as a consequence the cost of manufactured goods had risen too.

63. In the case of raw material producers, however, productivity had risen more steeply than incomes, which meant that the industrialized countries had profited not only from their own progress but also from the incidence of progress achieved in raw materials producing countries.

64. He would like in that connexion, to restate the opinion his country's representatives had expressed on previous occasions. If the prices of raw materials had risen *pari passu* with the prices of manufactured goods, the problems facing the under-developed countries would not be so serious. The balance could be achieved by setting international prices which, instead of being the result of auction bidding between buyer and seller, would ensure fair remuneration for producer countries.

65. He would like to offer the following comments:

66. First, if the under-developed countries found that their efforts towards economic development were paralysed by lack of financial resources, a difficulty which they could not overcome by themselves, those countries which possessed abundant capital should provide them with the resources which they required in order to overcome that difficulty. The grant of such aid was an obligation which followed from the principle of justice on which the solidarity of nations rested.

67. Secondly, the methods to be adopted and the agencies to be responsible for financing economic development should seek first to ensure the implementation of those programmes which were of primary importance to under-developed countries from the economic and social point of view. The order of priority could only be determined by agreement between the Council or its appointed agencies and the countries concerned.

68. Thirdly, the profits of financiers did not necessarily benefit the country in which the business was carried on, nor was direct private investment for exclusively profit-making purposes invariably in the country's interest; indeed it might sometimes even be undesirable. The Council should therefore realize the difficulties which such investments might cause the under-developed countries and should define the principles that were to govern investments so that they would actually promote economic development.

69. The scheme of financing economic development should be based upon a fair distribution of resources made without regard to profit and without the intervention of private interests. The financing should be confined to co-ordinated economic development plans and should not be applied to isolated plans. Particular attention should be given to basic programmes and to industrial development programmes which truly served the interests of the country concerned and which, if properly co-ordinated, provided one of the most effective means of strengthening the economy and raising the standard of living.

70. For the reasons given, the Argentine delegation would support the joint draft resolution (E/L.363 and Corr.1) of Cuba, Egypt, Iran and the Philippines and also submitted by Burma, Chile and Yugoslavia.

The meeting rose at 1 p.m.

Printed in U.S.A. 71722—July 1952—2,850