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President: Sir Douglas COPLAND (Australia).

Present:

The representatives of the following countries: Australia, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, India, Netherlands, Norway, Pakistan, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Yugoslavia.

Observers from the following Member States: Canada, Indonesia, Iran, Israel.

Observers from the following non-member States: Federal Republic of Germany, Hungary, Spain.

Also present: Mr. Scheyven, Chairman, Committee of Experts on the Special United Nations Fund for Economic Development.

The 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, International Monetary Fund, World Health Organization.

AGENDA ITEM 6

Financing of economic development (E/2757, E/2766, E/2770) (*continued*)

1. Mr. Said HASAN (Pakistan) observed that it would be regrettable if the question of financing economic development had been placed on the agenda merely as a salve to the United Nations conscience. But a considerable amount was already being achieved. In 1954, the General Assembly had adopted resolution 824 (IX) recommending certain lines of conduct to be adopted by the capital-importing and the capital-exporting countries in order to promote the international flow of private capital for the economic development of under-developed countries. The document entitled "Recent Governmental Measures affecting the International Flow of Private Capital" (E/2766), covering the period since the beginning of 1953, showed some of the fruits of that recommendation.

2. Regarding the capital-importing countries, that document stated that few countries had legislation limiting foreign participation in capital or management

that applied to foreign investments generally, and that some eighteen under-developed countries, including Pakistan, had authorized incoming investments on an individual basis. It also stated that a number of under-developed countries, again including Pakistan, had been able to liberalize their external payments policy with regard to foreign investments, despite their balance-of-payments position. That testified to their eagerness to attract foreign capital. In the case of Pakistan, for example, the remittance abroad of profits and interest had increased by 25 per cent between 1953 and 1954, despite the fact that during that period a favourable balance of payments had given way to an unfavourable one. The Government of Pakistan had guaranteed the full repatriation of foreign capital, reinvested profits and capital appreciation in all approved projects in which foreign investment was made after 1 September 1954. Further, foreign investors were at present permitted to own up to 60 per cent of the share capital in approved Pakistani industries, with the exception of public utilities, where such permission was accorded on an individual basis. The practice of screening foreign capital adopted by most under-developed countries, including Pakistan, was necessitated by considerations of the balance of payments and of development-programme priorities. Nevertheless, Pakistan had considerably simplified its own screening procedure. It was also establishing a Business Facilities and Information Bureau for foreign investors.

3. Regarding the capital-exporting countries, the document showed that some progress towards relaxing control on capital exports had been made by the Federal Republic of Germany, the Benelux countries and Denmark. The United States of America, in addition to the generous aid it provided, still led the van in stimulating the international flow of private capital. It gave special guarantees to private investors against certain non-business risks applying to investors in Pakistan, among other countries. The fear of non-business risks, real or imaginary, had been the most powerful deterrent to the investment of foreign capital in south and south-east Asia. While it was up to countries which wanted to import capital to do what they could to establish economic, political and social conditions likely to remove the grounds for such fears, it was also incumbent upon the capital-exporting countries to do what they could to dispel the fears in so far as they were groundless. Governmental guarantees such as those accorded in the United States of America would do much to increase the flow of private foreign capital to the under-developed countries.

4. The flow of private foreign capital to the Middle East and to south and south-east Asia, apart from investments in oil, had so far been relatively small. Of United States

foreign investments between 1946 and 1952, for example, 40 per cent had gone to Canada and western Europe and nearly as much to Latin America. Since a substantial increase in the flow of private capital to the under-developed countries of Asia was hardly likely in the near future, it would be necessary to canalize foreign capital through national and international financial institutions.

5. The Council could be legitimately proud of the stage which the proposal for the establishment of the International Finance Corporation had reached. Since the Corporation was to come into existence when thirty Governments with subscriptions totalling \$75 million had adhered to its Charter, it could be assumed, in view of the statement on the subject of acceptances made at the 884th meeting by the representative of the International Bank for Reconstruction and Development, that it would be set up very shortly. He expressed his deep appreciation of the work which the Bank, and its President, Mr. Black, had done to prepare the way for the Corporation.

6. With the Corporation stimulating the flow of private foreign capital to under-developed countries, and capital exporting and importing countries providing the necessary facilities for the investor, it might reasonably be expected that foreign capital would play in those countries, though on a smaller scale, a part similar to that at one time played by European capital in the United States of America, and since the war by United States capital in Europe.

7. The establishment of a Special United Nations Fund for Economic Development (SUNFED) to help under-developed countries to finance non-self-liquidating projects connected with their economic and social infrastructure was of great importance. During the initial stages of its development a country was obliged to sink 60 per cent of its total investments in its infrastructure. Assistance from SUNFED would hasten the day when such countries could finance their own economic development without international aid.

8. Mr. Scheyven deserved congratulation for his general work on SUNFED, and particularly for his *Report* (E/2757) on the subject.

9. Even a fund of \$250 million would, of course, be only a drop in the ocean, considering that an investment of \$1,900 million a year was required to raise the national *per capita* income in the under-developed countries. Restricted as its coverage was, the Colombo Plan would have given away some \$250 million in the first five years of its operation. To set about a vast task with very modest means could engender doubts as to the protagonists' sincerity. At any rate, the suggestion that SUNFED might be started with as little as \$50 million was going rather too far. Mr. Scheyven's *Report* put the figure at \$250 million—a calculation based on the fact that the Bank made annual loans totalling about that amount. Loans by the Bank, however, were not a true criterion of the capacity of the under-developed countries to absorb investment, because they had to be profitable ones. In point of fact, the under-developed countries could absorb two or three times as much—or more—if the loans granted them were not subject to such a stipulation. To give an example: the Bank had approved a project in Pakistan that would require some \$22 million

of foreign capital out of a total of nearly \$60 million, but had declined to advance money for it, confining its action to commending the project for financing by one of the countries already assisting the country's development.

10. At an earlier stage of the discussions on the establishment of SUNFED, it had been thought that recipient countries would prefer multilateral aid because they need not then feel beholden to any individual country. Nevertheless, a conference of the Colombo Plan countries held recently at Simla had expressed itself unanimously in favour of bilateral agreements, considering that multilateral negotiations tended to lead to a scramble for funds and to the undue exercise of political pressure. In the view of his delegation, a country accepting aid ought not to make any bones about being grateful for it.

11. However, the point under discussion was not whether, but when, SUNFED should be established. To establish it initially with a small capital might jeopardize its chances of success, for if it were started but came to an early end it would be hard to resuscitate. Nor, in his view, could such a fund be established for a limited period, such as five years.

12. Mr. Scheyven's *Report* seemed somewhat oversanguine in declaring that SUNFED would not involve the creation of a new bureaucracy. The provision of technical assistance was a relatively simple matter, yet nearly 15 per cent of the total expenditure on the technical assistance programmes went on administrative costs of various kinds. SUNFED would have to examine the economic development plans of the countries to be assisted and review their entire economic and financial position, which would require a very large staff and incur much more expense than the operation of the technical assistance programmes. Possibly that was one reason why big Powers like the United States of America and the United Kingdom hesitated to associate themselves with SUNFED. It was difficult otherwise to see why the former should jib at such a relatively small sum as \$250 million.

13. His delegation would have no objection to the administration of SUNFED, under its own special charter, being handed over to the Bank, in view of the excessive cost of separate administration. It was true that the under-developed countries generally had considered the Bank to be too rigid for their purposes, but his own country had received extremely good treatment.

14. Regarding the proposal that loans should be repayable in local currencies, it might be noted that he had made a suggestion to that effect at the eighteenth session,¹ and that the United States Government had already entered into agreements with Pakistan, among other countries, for repayment on that basis.

15. His delegation had always advocated that grants or loans from SUNFED should be used for financing the construction of the economic and social infrastructure. The point required particular emphasis at the present stage.

16. He would comment on SUNFED in greater detail in the Economic Committee.

¹ See *Official Records of the Economic and Social Council, Eighteenth Session, 812th meeting, para 3.*

17. Mr. BRILEJ (Yugoslavia) said that, as the Secretary-General had stated in opening the debate on the world economic situation at the 871st meeting, "although the world had come increasingly to understand the need for developing the under-developed countries, it still did not sufficiently appreciate the urgency of that need". The modest progress made during the past year in satisfying the need had to a large extent been due to the scanty flow of international capital.

18. The increasing relative poverty of the under-developed countries was an urgent problem not only for those countries themselves, but for the world at large, since it could hardly fail to have an adverse effect on the world economy and on the general political situation. Moreover, the position of the under-developed countries could not be regarded as exclusively their own responsibility, in view of the economic goals laid down in the United Nations Charter—higher standards of living, full employment and economic development—and the provisions of the Charter relating to the maintenance of peace, self-determination and human rights. Advantage ought to be taken of any source of international financing capable of contributing to the implementation of those aims and principles.

19. His delegation had never believed that the creation of a favourable economic climate, which was the aim of General Assembly resolution 824 (IX), was the main prerequisite for an increased international flow of private capital, and events since the adoption of that resolution seemed to have confirmed its view. That did not mean, however, that it was opposed to methods of private financing of whatever kind. Long-term and medium-term commercial credits, for example, could become a valuable means of financing exports of capital goods.

20. It was regrettable that the draft Articles of Agreement of the International Finance Corporation (E/2770) should not have been discussed in the Council before circulation to Governments. While reserving the right to speak on the articles in greater detail in the Economic Committee, he had two comments to make at the present stage. In the first place, article 1 limited the Corporation to financing private enterprises, whereas in his view it ought to be free to finance enterprises in any State Member of the United Nations or of its specialized agencies, whatever that State's political structure. Secondly, the draft did not make it clear whether the Corporation was to participate directly in the profits of enterprises or simply to have the right to a fixed rate of interest. In that connexion, he drew attention to a resolution of the XVth Congress of the International Chamber of Commerce (E/C.2/442) on the International Finance Corporation (resolution 7), which recommended that that body should grant loans to private and non-governmental enterprises, and that it should not acquire ownership rights, but be empowered, under certain conditions, to buy bonds.

21. Despite those criticisms, his delegation welcomed the establishment of the Corporation, in the hope that it would make a useful contribution to the solution of the problem of the economic development of the under-developed countries. At best, however, its possible contribution would be a small one in proportion to the magnitude of the task. The fact that its operations

were only to be complementary to private sources of financing would limit its activities, while the stipulation that interest should be paid in transferable currencies suggested that it would largely be restricted to assisting export enterprises as against enterprises serving the domestic market.

22. In the present condition of the economies of the under-developed countries, investment in their social and economic infra-structure was a pre-requisite for the expansion of enterprises of all types. A particular enterprise could only be productive if certain general investment in the infra-structure had been made already. Such expenditure at present devolved on the public authorities. Thus, if foreign capital was invested in productive enterprises exclusively, the public authorities of the under-developed country would, in a measure, be subsidizing the productive enterprises from which the foreign investor benefited. Foreign capital ought therefore to be channelled into the infra-structure, as well as into enterprises of an immediately productive nature.

23. The establishment of SUNFED, which would facilitate the financing of large infra-structure investment from foreign public sources, was consequently of vital importance. Some of the industrial Powers, however, while recognizing the need for SUNFED, wished to link its establishment with the advent of internationally controlled disarmament. His country well understood the need to build up national defence forces during a period of international tension, but, at the same time, one of the best ways of making such forces unnecessary was to create a stable world economy. Moreover, since the establishment of SUNFED had first been mooted the international situation had changed, and in many countries reductions in defence expenditure had already set free additional resources for productive purposes. By General Assembly resolution 724 A (VIII), Member States had pledged themselves to contribute to SUNFED part of the resources thus released. Although a decrease in defence expenditure in the absence of an over-all disarmament agreement had been inconceivable at the time when the pledge had been made, in the present changed circumstances it would be in accordance with the spirit of the pledge for Member States to begin to contribute to SUNFED forthwith. All the necessary preparatory steps for establishing the fund had been taken, and the demand for its creation had become so insistent that it could not reasonably be resisted any longer.

24. He would have detailed comments to make in the Economic Committee on Mr. Scheyven's *Report* on SUNFED, and would confine himself for the time being to congratulating Mr. Scheyven and the Committee of Experts, and to two observations.

25. In the first place, the arguments used to justify the abandonment of the idea of long-term, low-interest loans were not convincing. SUNFED could not be a charitable institution, although it was true that ordinary commercial loans, as opposed to low-interest loans, would not be desirable. Furthermore, it could hardly be right to link grants-in-aid with loans from the Bank, since that would mean dropping some projects of importance for economic development which were not of interest to the Bank.

26. Secondly, with regard to the relationship between SUNFED and the Bank, while he quite agreed that superfluous bureaucracy must be avoided, SUNFED ought to remain an independent United Nations body, as originally planned. Co-ordination between it and the Bank must not be allowed to prejudice its independent position within the United Nations family.

27. The time had come to take the final steps for establishing SUNFED. His delegation was therefore in favour of the Council's recommending that the General Assembly should set up an *ad hoc* committee of government representatives to draft the charter of SUNFED on the basis of the preparatory studies, the comments of Governments upon them and the discussions held in various United Nations bodies. As a preliminary, Mr. Scheyven's *Report* should be transmitted to Governments for their observations. His delegation, jointly with certain other delegations, would be submitting a draft resolution to that effect.

28. World opinion expected the Council to take the final steps at the present session. The political situation now made it possible for it to do so. Creation of the fund would demonstrate the willingness of the peoples of the world to live together in peace and to co-operate regardless of any differences between them. It would also help to establish the mutual trust that was necessary for bringing about internationally controlled disarmament, which in its turn would increase the resources available to SUNFED.

29. Mr. HSIA (China) expressed his delegation's thanks to the Committee of Experts for its excellent *Report* and, in particular, to Mr. Scheyven, whose drive and devotion had brought SUNFED a long step nearer realization. The *Report* covered all important aspects of SUNFED—its functions, resources, operations and relations to other United Nations organizations—and, by and large, the Chinese delegation agreed with its conclusions. There were, however, a number of open questions, some of them mentioned in the report itself.

30. The aim assigned to SUNFED in the report was a very broad one: the financing of what it called the economic-social infra-structure, consisting of roads, railways, schools, hospitals and so on. Later, however, the report drew a distinction between projects which could be financed from a country's own savings and those needing outside assistance. That distinction would greatly narrow the fund's scope. His delegation had no objection to a broad view, provided that due priorities were observed and the fund did not bite off more than it could chew.

31. The infra-structure referred essentially to the pre-conditions of economic development. Another such pre-condition which he thought should now be recognized was monetary stability. Post-war experience had shown how inflation could disrupt economic development when not preceded—as it usually had been in the inter-war period—by monetary reform. He was not suggesting that SUNFED should make loans for stabilization purposes. SUNFED loans or grants should, however, take account of, and try to forestall, the possible inflationary effects of development schemes.

32. Referring to the resources of SUNFED and the methods of disbursing them, he noted that the *Report* made provision, in chapters III and IV, for both loans and grants-in-aid, with the main emphasis on the latter. Since it would not be permissible to use the fund's capital for making grants, it would be possible to finance them only from contributions. The Committee of Nine had reached the same conclusion, but on grounds of expediency rather than as a choice imposed by the nature of the fund's operations.

33. In its reply to the Secretary-General, the Chinese Government had endorsed the principle of voluntary contributions as recommended by the Committee of Nine, while urging the adoption of suitable methods to ensure their regular flow. It therefore welcomed the suggestion made in the *Report* that Governments should make long-term pledges whenever parliamentary approval could be obtained. In present circumstances nothing more could be expected.

34. Referring to Mr. Scheyven's classification of countries participating in SUNFED, he noted that many under-developed countries had promised their material support. That was an admirable gesture, but it clearly could not increase the volume of funds available for those countries as a whole. That did not mean that their contributions were not needed, for some of them would undoubtedly benefit from the contributions of others, while the sum of their contributions would certainly get the fund off to a good start.

35. The main burden of maintaining SUNFED was bound to rest on the shoulders of the industrial Powers, whose willing support must be patiently sought and won. The resources of some of those Powers—and the group included the United States of America and others which had made their contributions conditional upon that country's participation—would for the time being not be available. Others were ready to make immediate and unconditional contributions. That was the more important group, and it was to be regretted that, as appeared from Mr. Scheyven's statement, the probable total from that source was still unknown. It would be easier to plan the next step if such information were available.

36. Chapter IV of the *Report*, which dealt with loans, was one of the most interesting. His delegation agreed that the terms of loans should, in principle, be hard and fast, and that normal rates of interest should be charged. But it had come to the latter conclusion for two reasons somewhat different from those which had prompted the Committee of Experts. The first was that the fund might itself need to borrow in the open market at prevailing rates of interest, and should be able to cover those charges from the returns of its own lendings. The second was that the fund should pay its administrative expenses out of its interest receipts, and not out of the contributions of Member States, as was suggested in the report. It was true that some borrowers might not be able to pay normal rates of interest; a report from the International Bank for Reconstruction and Development on the economic return from businesses it had helped to finance might be useful. Finally, he disagreed with the *Report's* suggestion that loans might be repayable in local currency. It would be more useful to ensure that the capital remained as a sort of revolving fund of foreign

currencies. It would therefore be preferable for loans to be repaid in foreign exchange as a rule, although provision should be made for exceptions in cases of hardship.

37. Turning to the International Finance Corporation, he noted that it was no longer a project like SUNFED, but about to become a reality. For that, his delegation's thanks were due to the United States of America and other countries which had made the scheme possible, as well as to the Bank for its drafting of the Corporation's Articles of Agreement. He thought, too, that the verbal report made by the Bank's representative at the 884th meeting had been most encouraging.

38. Mr. HARTNELL (Australia) said that Australia was naturally interested in the important problem of financing economic development, since its own development was proceeding very rapidly and needed more capital than was available from national savings, high though they were. Australia's belief in the fundamental importance of a high rate of investment for world progress and prosperity had already been made clear at the 872nd meeting during the general discussion on the world economic situation, and he did not wish to repeat it. However, one of the Council's most important duties was to review the machinery of international investment, public and private. The International Bank for Reconstruction and Development, dealing with public investment—although it drew its funds from both public and private sources—was making a very important contribution to the financing of world development. In the field of private investment, another international institution, the International Finance Corporation, would soon be starting operations, judging from the encouraging letter of the President of the Bank to the Secretary-General (E/2770).

39. The Australian Government agreed with the idea behind the Corporation, and was watching developments with close interest. He therefore did not intend to examine its draft Articles of Agreement in detail. In general, however, his Government would not expect any quick, spectacular results from the creation of the Corporation. It could be viewed as another international device for meeting modern needs, without departing from that tradition of sound investment which required that a bargain be struck of mutual benefit to borrower and lender.

40. The Corporation would have two main functions: it could provide international funds for private enterprises which might otherwise find difficulty in raising them; and, as it acquired prestige, it would foster confidence among prospective investors. Fortunately, the accumulated experience of the Bank would be at the disposal of the Corporation, although the latter would be operating in a different field. While preparations were well advanced, the Corporation was still not finally set up, and he was sure the Council would not wish to take steps in any other direction which might prejudice its early establishment.

41. The other matters of interest to private international investors dealt with in the Secretary-General's useful report (E/2766) would, he hoped, be supplemented at the twenty-second session by the more comprehensive survey mentioned in the preface to that report. In

some countries, obstacles to the free flow of private international investment would probably continue to be unavoidable, although in the interest of general progress they should be reduced to a minimum. Governments would therefore find such an international survey of current practices useful when reviewing their own policies.

42. Australia was continuing to enjoy a good flow of private capital from abroad, although in the absence of any special restrictions or registration it was not possible to measure it precisely. It seemed, however, to have been on the increase during 1954. Australia was vitally interested in ensuring the maximum private investment on mutually fair terms. The assistance it had received in the past from such sources was now increasing. His Government realized, however, that its own progress depended on the rate of development of the world economy as a whole. That was true also for countries in a position to supply private capital. There were bound to be differences both in the stage of development of various countries and in the investment policies they wished to follow. As to Australia, it had a mixed economy combining both public and private investment, but it had been able to absorb private overseas capital to the mutual advantage of both borrowers and lenders.

43. Turning to SUNFED and the *Report* submitted by the Chairman of the Committee of Experts (E/2757), he said that Australia had full sympathy for the underlying principle that it was both the duty and in the interest of all countries to devote some part of their current savings to the economic development of those that still had low standards of living. His country was already active in that field, both through the development of its dependent territories and through its contributions to the Colombo Plan. Apart from all that, however, Australia was obliged to earmark a large part of its available savings for internal development, being itself dependent on foreign capital.

44. As to the Colombo Plan, it was admittedly operating on a relatively small scale—albeit no smaller than that which some had suggested for SUNFED for a start—but it could offer useful guidance to the latter in administrative technique. Under the Plan the initiative lay with the countries in the area, foreign assistance being supplementary to their own efforts. The Consultative Committee, which met annually, had established appropriate working relations between the contributing and recipient countries as equal partners. The experience gained there could be of use in more extended programmes of assistance to the under-developed countries. His delegation welcomed Mr. Scheyven's *Report*, but thought that, so far as the problems of the under-developed countries were concerned, a better parallel could have been drawn with the Colombo Plan than with the Marshall Plan. The latter had provided investment, admittedly of a novel kind, in a region of proved high capacity for absorption, with assured technical capabilities and with highly developed resources which had only needed to be brought quickly into working order. The difference between the foregoing conditions and those in which SUNFED would have to operate was so great that the experience of the Marshall Plan was unlikely to be helpful.

45. In the grandeur and breadth of its conception, SUNFED was a radical departure from the accepted traditions of international investment. It was futile to regard it simply as the establishment of a fund with a capital of \$250 million. The word "fund" was indeed misleading. What was really being attempted was the creation of a new technique for channelling part of the world's savings every year into investments from which no immediate financial return could be expected, but which could lead to higher standards of living for many millions of men and women in all parts of the world. Such expenditure, if sufficiently substantial and prolonged, was bound to yield real results. It would be a mistake to be led away by the sometimes miraculous results in raising standards of living obtained from small investments; they seemed miraculous only because the original conditions had been so primitive.

46. For sustained progress, hard work was needed, and one of the most effective ways in which the under-developed areas could begin to help themselves was by raising their technical capabilities. For that, time would be required, but the technical assistance authorities could lend valuable aid. From his personal experience of both public and private investment in Australia, he was well aware of the enormous technical resources needed for such operations. Remembering the advantages which Australia enjoyed, he was inclined to the belief that two generations might well pass before the present pitifully low standards of living in large areas of the world could be substantially raised. That meant that SUNFED might involve an operation lasting fifty years and absorbing a large part of the world's savings over that period. New problems—political, budgetary, foreign exchange and administrative—would arise for contributory and recipient countries alike, at both the national and the international level. There were dangers in trying to advance quickly, and the precise aim—not to mention methods—had still to be clearly defined; but it was nevertheless time that all countries began to think about solutions to those problems.

47. While it was true that the present discussion was taking place in a better political atmosphere than earlier ones, it had to be recognized that the measure of disarmament widely accepted as a pre-requisite for the success of SUNFED had still not been achieved. The Council's thanks were due to Mr. Scheyven for his enthusiasm and energy in keeping the project before Governments at times when its prospects looked bleak. The useful *Report* now submitted (E/2757) should be carefully considered in conjunction with the *Report* of the Committee of Nine (E/2381) by all interested Governments. Before taking further action it might be necessary to convene a separate conference. At the present stage, however, Governments should be asked for their written comments on the two reports and for any other observations they might have on further procedure. The Secretary-General might then be asked to submit those views either to the Council or to the General Assembly for further consideration.

48. The general outlook was now more hopeful, and Australia for its part intended to do everything possible to promote the flow of public and private capital on mutually satisfactory terms. It would likewise join in

similar efforts by the Council and by United Nations agencies generally, and make whatever contribution to international development its own requirements permitted. Irrespective of the relative importance of public or private capital and of the special needs of the under-developed countries with low levels of income and savings, it was certain that an abundant international flow of capital was essential for prosperity, speedy development, rising standards of living and social progress everywhere.

49. Mrs. BERESFORD FOX (World Federation of United Nations Associations), speaking at the invitation of the PRESIDENT, said that WFUNA had viewed the question of financing economic development as one of the most urgent problems facing both Governments and non-governmental organizations ever since it had first been placed on the agenda of the Council and the General Assembly. WFUNA believed that effective solutions must be found without delay.

50. WFUNA appreciated the part to be played in the development of under-developed countries by both private and public capital, as well as the importance of encouraging a favourable investment climate in those countries and of harnessing their maximum domestic resources. It therefore welcomed the studies made by the Economic Commission for Asia and the Far East and by the International Bank for Reconstruction and Development, and the General Assembly's decision (resolution 823 (IX)) to facilitate the establishment of the International Finance Corporation. But the latter would have to take care to avoid interfering in the internal affairs of the recipient countries.

51. None the less, WFUNA attached more importance to SUNFED for four reasons. First, WFUNA's member associations had in all their activities shown great interest in the plan, and were insistent that it be put into practice. Secondly, there was the obvious danger that the widening gap between the developed and under-developed countries mentioned by several representatives might lead to greater disequilibrium. Thirdly, the Committee of Experts had stressed the need for ensuring speedier economic and social development in those areas of the world that were afflicted by hunger, disease and bad housing, conditions likely to be aggravated by population increases. Fourthly, the foregoing situation, as the Committee of Experts had noted, could be corrected only if the problem were seen as an international one requiring a common effort for its solution.

52. Supporting her first point, she quoted from resolutions adopted by the ninth Plenary Assembly of WFUNA, held in September 1954, by the tenth Annual Meeting of the United Nations Association of Great Britain and Northern Ireland, held in July 1955, and by a special conference called by the United States United Nations Association in February 1955 to celebrate the tenth anniversary of the foundation of the United Nations.

53. Some Governments still advocated delay until internationally controlled disarmament was a reality. Even though no formal agreement had yet been reached, disarmament had in fact already set in as a result of decreasing political tension. That process was likely to

continue. The reduction in the defence expenditure for 1955 of one of the great Powers alone represented enough to provide the capital for SUNFED. It therefore seemed high time to set it up before savings on armaments were diverted to other purposes. It was understandable that some advanced countries should regard the establishment of SUNFED as premature, in view of their heavy defence responsibilities. It should be considered, however, whether the advantages offered by the fund were not, even from the point of view of enlightened self-interest, a primary consideration. She quoted from the statements made at the 884th meeting by Mr. Scheyven and the Netherlands representative in support of that contention. Without wishing to go into the details of the scheme, she paid a tribute to Mr. Scheyven and his collaborators for the efforts they had made to solve the problems raised by members of the Council last year.

54. In advocating the establishment of SUNFED, WFUNA was not overlooking the substantial aid several

countries were already receiving on a bilateral or multi-lateral basis. Anyone who had followed the discussion of the problem over the years must realize, however, how much more was required to meet urgent needs.

55. In the opinion of WFUNA, the *détente* resulting from the recent Conference of Heads of Government opened up new possibilities. In that regard, the Federation welcomed the proposals made to the Conference by the French Prime Minister for making greatly increased funds available for economic development, and sincerely hoped that the eighteen Governments represented in ECOSOC would accept the challenge of the Big Four and show that the United Nations was not only conscious of the problem, but prepared to undertake its responsibilities by recommending to the General Assembly that SUNFED be established without further delay.

The meeting rose at 12.45 p.m.