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President: Sir Douglas COPLAND (Australia).

Present:

The representatives of the following countries: Argentina, 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: Belgium, Cuba, Indonesia.

Observers from the following non-member States: Bulgaria, 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.

1. The PRESIDENT, before opening the discussion, called attention to the loss the Council had suffered through the recent death in New York of one of its most distinguished members, Mr. Ozgurel, the Economic Adviser to the Permanent Delegation of Turkey to the United Nations. He was sure the Council would wish to express its deepest sympathy to the Turkish delegation.

2. Mr. AKANT (Turkey) said that his delegation was deeply touched by the President's expression of sympathy at the death of Mr. Ozgurel, who had frequently represented Turkey in the Economic and Social Council. He would transmit the Council's condolences to the Permanent Delegation of Turkey in New York and to Mr. Ozgurel's family.

AGENDA ITEM 6

Financing of economic development (E/2754, E/2766, E/2770, E/L.683) (continued)

3. The PRESIDENT drew attention to a corrigendum¹ in the text of document E/L.683, regarding the draft

¹ Subsequently issued as document E/L.683/Corr.1.

resolution on the establishment of the Special United Nations Fund for Economic Development (SUNFED), submitted jointly by the delegations of Ecuador, Egypt, India, Netherlands, Pakistan and Yugoslavia. The reference in the third line of paragraph 2 (b) of that text should be to paragraph 2 (a).

4. Mr. BAKER (United States of America) referred to the increasing emphasis that had been placed on the economic development of the under-developed countries during the past ten years, both inside and outside the United Nations. In his own country, the question had attracted widespread interest in the Press and in academic, business, labour and political circles. That interest was a reflection of the increasing concern felt by the under-developed countries themselves for economic progress.

5. The Council had approached the problem from two angles, examining on the one hand what the Governments of under-developed countries could do themselves, and, on the other, what the international community could do, to promote economic development in those areas. The present discussion aimed at finding ways and means both of raising capital within those countries and of stimulating its influx from outside.

6. The United Nations recognized two well-tried principles for economic development: first, that the primary responsibility lay with the peoples and Governments themselves of the countries in course of development; and secondly, that capital was indispensable for economic growth. Everyone knew that the capital resources of the under-developed countries were limited. India had nevertheless shown what could be done to meet this handicap by its recent over-subscription of a national loan of one billion rupees within a few days. On the other hand, in the debate on the world economic situation the Executive Secretary of the Economic Commission for Latin America (ECLA) had pointed to the recent disquieting flight of domestic capital from some of the countries of Latin America.

7. Capital, however, even supplemented by foreign investment, was not enough. The transformation of a static subsistence economy called not merely for technical and capital resources, but also for administrative, psychological and social changes, which were probably also a pre-requisite to the inflow and utilization of foreign capital. Where Governments and peoples were striving to raise their productivity, private capital from abroad, together with loans and technical aid from governmental and international sources, could greatly stimulate growth.

8. The basic policy of the United States Government on the financing of economic development had recently

been summed up by President Eisenhower when he asked Congress to approve United States participation in the International Finance Corporation. He quoted from the President's speech to show that the United States was vitally concerned that capital should move into productive activities in free countries unable to finance out of their own resources the development needed as a basis for improving standards of living and strengthening free political institutions.

9. Private capital was the greatest potential source of investment funds and, taken collectively, was almost inexhaustible. It had promoted great economic developments in the past and could continue to do so. It had the added advantage of contributing technical knowledge to the enterprises in which it was invested at no cost to the Governments of either borrowing or lending countries. The United States Government regarded an increased flow of such capital as the best means of promoting economic development in the free world and of encouraging free enterprise. It had therefore jointly sponsored, at the seventeenth session, a comprehensive resolution concerning the stimulation of private investment which had subsequently been adopted by the General Assembly as resolution 824 (IX). To encourage the export of private investment capital, his Government had negotiated agreements to create favourable conditions for international investment and to eliminate double taxation. It was providing more guarantees against the risks of inconvertibility and expropriation, as well as information and technical services to facilitate private foreign investment. However, it did not have the final say in the matter. It could provide some help and incentives for the export of private capital, but could not compel such export. The experience of developed and under-developed countries alike had shown, however, that where conditions inspiring confidence obtained, private capital would respond to them. His delegation was pleased to note from the document entitled "Recent governmental measures affecting the international flow of private capital" (E/2766) that many countries had taken steps to implement the recommendations of General Assembly resolution 824 (IX). Further steps were still needed in many countries, and his Government hoped that they would be taken.

10. The United States Government recognized none the less that private enterprise was not at present capable of meeting all needs. Two complementary international institutions had been designed to fill the gap—the International Bank for Reconstruction and Development (Bank), which was already operating, and the projected International Finance Corporation. The first was concerned with loans to, or guaranteed by, Governments. The second was intended to stimulate investment, both domestic and foreign, in productive private enterprise. The Bank, although originally concerned mainly with reconstruction, had recently been concentrating more on economic development, and its loans in that field now totalled about \$1,700 million. To understand what that meant in practice, one should try to visualize the actual results in terms of new construction facilitated by the Bank in thirty-four different countries. The Bank's loans had also had substantial indirect effects—for development was a snowball process. Although still

young as a financial institution, the Bank was nevertheless firmly established—so firmly, indeed, that there was a danger of its being taken too much for granted.

11. The Bank's scope was limited, however, by the requirement that its loans must be guaranteed by the Governments of recipient countries. Governments were often unwilling to underwrite private borrowing, since that would entail interference in the affairs of private enterprise—hence the need for the International Finance Corporation. Since the nineteenth session, good progress had been made towards the establishment of that institution. Its draft Articles of Agreement (E/2770) had been submitted by the Bank to Governments of Member States for action. The United States Senate had approved the project and had authorized a capital contribution of \$35 million; and a Bill to give final effect to that action was now before the House of Representatives. His Government was looking forward to the establishment of the International Finance Corporation as an institution seeking to stimulate the flow of private capital for productive enterprise and the provision of investment opportunities at an early date.

12. Turning to the efforts of the United States itself to increase the flow of capital to the less developed countries, he referred in the first place to the well-known activities of the Export-Import Bank, which had financed a wide range of capital development, including light and heavy industry and public utilities. Last summer, Congress had increased that bank's lending authority from \$4,500 million to \$5,000 million. Private capital was now entering that field too, following the recent foundation by several leading commercial banks of a private export finance corporation.

13. The United States Government had also provided aid to under-developed countries through its economic and technical assistance programmes, for which Congress had earmarked \$1,200 million in 1954. That aid was available in the form both of grants-in-aid and of long-term loans, repayable mostly in local currencies, and was being increasingly extended to those countries whose economies could not be built up rapidly enough on traditional lines. Such a bilateral approach, with its simple and direct relationship between donor and recipient, could, he believed, create mutual understanding of the problems involved and provide a basis of experience for wider international action when circumstances allowed. The best summary of his country's policy in that respect was, he thought, to be found in President Eisenhower's statement to the United Nations Tenth Anniversary Meeting in San Francisco to the effect that the United States would continue to help other countries to attain rising economic levels in so far as its resources permitted and as its aid—including that in respect of the peaceful uses of atomic energy—might be needed and desired, thus helping them, too, in the achievement of their cultural and spiritual aspirations.

14. Turning to the question of SUNFED, he congratulated Mr. Scheyven and the Committee of Experts on the labours which had gone into their *Report*. Two years ago, the President of the United States had first held out the hope of an international development fund, to which the nations could contribute part of the savings

accruing from disarmament. That hope and that vision were still before the world, as President Eisenhower had again made clear in his recent speech at San Francisco.

15. Some speakers at the present session had advocated the establishment of such a fund without waiting for disarmament. The position of his Government in this connexion had often been clearly stated and remained unchanged. Such a world fund could not be effective unless it had at its disposal the combined resources of many countries, which would hardly be forthcoming until progress had been made in internationally supervised disarmament. As was well known, his Government, for one, would not join or contribute to such a fund in present circumstances. If the fund were nevertheless established, it would, as Mr. Scheyven had pointed out, be able to engage in little more than token operations; and he feared that the inevitable result would be disillusionment for many, and not least for the peoples of the under-developed countries.

16. In the meantime, the promotion of economic development was proceeding both nationally and internationally, and the United States of America was making an appropriate contribution. In 1955, for example, President Eisenhower had asked Congress to set aside \$1,400 million for assistance to under-developed countries. The United States' unwillingness to support an international fund for the time being was not due to any lack of interest in the problems of the under-developed countries. Moreover, there were many channels through which aid could be given to those who needed it.

17. Last week the eyes of the world had been on the City of Geneva. Everywhere men hoped and prayed that a speedy and happy solution would be found to the vital issues which had there been discussed. The outcome was as yet unknown, but all sincerely hoped that it would mean genuine peace and an end to continual international tension. With peace and disarmament, the way would be open for a great increase in economic and social development and in the flow of capital to the under-developed countries. The United States Government pledged itself to work unceasingly to that end.

18. Mr. NEBOT VELASCO (Ecuador) said that his delegation had listened with the utmost interest to Mr. Scheyven's report to the Council on the task which it had entrusted to him in connexion with the establishment of SUNFED. The report encouraged those countries whose economic development called for foreign aid through concerted international action to hope that the scheme was on the point of being transformed from theory into reality. His delegation appreciated the collaboration of the Bank and other international credit institutions to that end, though it believed that the effort made should be differently applied. Such bodies were essentially concerned with investments which paid dividends and they neglected social investment, which was none the less of capital importance for countries in course of development. Naturally, it would be wrong to assume that the establishment of SUNFED and the International Finance Corporation would solve every problem, though undoubtedly it would help to bridge existing gaps. For that reason, his delegation strongly

supported the immediate establishment of SUNFED and congratulated Mr. Scheyven, the Committee of Experts and the officials of the Bank on having provided the Council with the basis for fruitful discussion.

19. It had been suggested that SUNFED might collaborate with the Bank in financing the development schemes of the under-developed countries. SUNFED would then grant low-interest loans, and he was glad to note that in exceptional cases the recipient countries would be allowed to repay them in local currencies, a procedure to which the Bank ought certainly to be able to agree.

20. In the light of the statements made by the head of the United States delegation in his speech at the Meeting of Ministers of Finance or Economy of the Organization of American States held at Rio de Janeiro in November 1954 the prospects of promoting international economic relations seemed more hopeful. For the first time, the United States Government had declared its readiness to take part in the International Finance Corporation which it was proposed to set up within the United Nations on the lines already considered by the General Assembly and the Economic and Social Council. The Corporation's capital was to be \$100 million, of which the United States Government was considering putting up \$35,178,000. The United States Senate had unanimously approved not merely the underlying principle, but also the actual amount of capital that he had mentioned. It would be remembered that when the Council had adopted resolution 532 B (XVIII), which had recommended the General Assembly "to request Member States which might be in a position to provide capital for an international finance corporation to keep the problem under review", and which had been keenly supported by the delegation of Ecuador, the United States delegation had abstained from voting.

21. According to the statement made by the President of the United States in his latest message to Congress, the International Finance Corporation should be able to begin operations in 1956 and thus to provide economic assistance to countries requesting it for the development of their industrial and natural resources.

22. Outlining the steps which had led up to the present situation, he said that he did not propose now to make a detailed analysis of the various aspects of the establishment of SUNFED, but that he would do so in the Economic Committee. He would merely take up one or two points made in Mr. Scheyven's *Report* (E/2757) and the other documents relating to item 6 of the Council's agenda.

23. In the first place, there was no denying the urgency of the problem of economic and social development in many parts of the world where a large part of the population lived in poverty. That urgency set a task in keeping with the aims of the United Nations, for the under-developed countries could not effectively develop their economies unaided. It was pointed out in the *Report* that "the vicious circle for under-developed countries is that their savings are low because their incomes are low, and their incomes will remain low if more savings are not made available for investment in equipment". That

statement applied only up to the point at which it was impossible to increase the volume of production without the help of foreign capital.

24. So long as there was no international institution financed by private capital or by the Bank, the under-developed countries would not be able to create the necessary economic-social infra-structure or set on foot rational schemes for the effective organization of their production. In other words, in the absence of loans for primary investment the problems of the infra-structure would make it impossible to promote the required development. The *Report* made it clear that public capital could ensure additional financing for development purposes.

25. His delegation was not in favour of an international system of grants-in-aid whereby those highly developed countries whose economies were based on private enterprise would bear the development costs of the other countries. Investment should be based on mutual benefit. Nor did his delegation feel that SUNFED's sole purpose should be the financing of social, to the exclusion of economic, investment, or that it should be devoted exclusively to the financing of public utilities. In any given case, it should pay due regard to the peculiar problems of the recipient country, and thus enable an effective development programme to be carried out.

26. The operations of SUNFED could not be compared to those of the Marshall Plan. In the case of Europe, the problem had been one not of development, but of reconstruction, and the countries of that continent had been eminently fitted to take advantage of emergency aid, which in any case had been of only a short-term nature. The position was different with the under-developed countries, which needed continuing international assistance on a rising scale to speed up their development.

27. Ecuador had always favoured, and would always favour, the establishment of a worldwide or regional body for the purposes now under discussion: that was why his country had strongly championed the plan put forward by a group of experts recently convened at Rio de Janeiro under ECLA's auspices for an increase in investment in Latin America to a total of not less than \$1,000 million a year for at least ten years.

28. Like the Colombian and Chilean delegations, the delegation of Ecuador had endorsed the experts' conclusions—namely, that the amount of foreign capital needed to supplement national savings was greater than the average volume of foreign investments in Latin America during the past few years; that there should be a substantial increase in the volume of foreign investment in the Latin American countries; that steps should be taken both nationally and internationally to that end; and that the amount of loans by the International Bank and the Export-Import Bank should be increased to meet the needs of all Latin-American countries—not only those whose economies were based on private enterprise, but also those which still stood in need of basic social investment. In that connexion he referred to the resolution, adopted at the fourth Extraordinary Meeting of the Inter-American Economic and Social Council of the

Organization of American States, emphasizing the need for setting up the International Finance Corporation. His delegation had supported the principle of establishing an inter-American finance organization, and a committee of experts had been established to draw up, for the benefit of the Governments and the central banks of the countries members of the Organization of American States, a regional financial plan in keeping with the international financial system.

29. International financing and investment plans would naturally encounter certain difficulties, but he could not agree with the Australian representative that the prospects of SUNFED should be viewed with caution: on the contrary, the delegation of Ecuador placed great hopes in its early establishment. The probable difficulties had been analysed, particularly in a study by the Executive Secretary of ECLA (E/CN.12/359). Many of them were problems generally experienced by all under-developed countries—such as the lack of a rational investment programme and of systematically prepared projects, inefficient management, inflationary tendencies, and balance-of-payments troubles. Other difficulties, arising from the policy followed by credit institutions, were the restriction of credit for the importation of foreign equipment, the preference shown to private imports, differences of opinion as to the timeliness of production programmes, unwillingness to invest capital in certain types of public utility, and, finally, the obligation laid on Governments to guarantee the servicing of loans.

30. Many of those difficulties had now been overcome, leaving the field clear for the establishment of a new financing institution. The plan prepared by the Bank for the investment of public or private foreign capital in under-developed countries proposed that such investment should be entrusted to an international finance corporation, which would handle the servicing of foreign investments, and stressed the three basic aims of such an institution—namely, to ensure a sufficient volume of foreign investments; to ensure the continuity of such investments; and to provide for debt servicing at a reasonable cost.

31. He would not dwell on the conditions which the capital-exporting countries considered necessary in order to encourage the investment of private capital abroad, because his country already fulfilled all those conditions and had for that reason supported the investment guarantee programme proposed by the United States Government.

32. He had been struck by the Pakistan representative's remark that, whereas 66 per cent of the world's population lived in the under-developed countries, they had at their disposal only about 15 per cent of the total world income. He agreed with him that the United States of America, as the greatest exporter of capital, should facilitate the plans for the international financing of economic development, and for that reason would urge that country, and the other capital-exporting countries, to pay less heed to the possible risks attached to the investment of capital. The delegation of Ecuador—a country which was constantly seeking ways of financing economic development, without asking for gifts of any kind—was anxious that investments should be pro-

tected by full guarantees of repayment and that the debt should be regularly serviced. In that respect there was in the under-developed countries today a climate favourable to a rapid increase in foreign investment.

33. His delegation intended later on to go more deeply into the aims to be pursued by SUNFED and the International Finance Corporation. At the present stage it would support any proposal for the speedy establishment of those institutions, in the hope of promoting the early realization of plans which had been under discussion since 1951.

34. Finally he stressed that, while it was impossible to change the world in a few years and the ultimate object was to improve it for future generations, every effort should be made to see that the present generation enjoyed better living conditions.

35. Mr. KUMYKIN (Union of Soviet Socialist Republics) said that, in considering the present, or, indeed, any other item on its agenda, the Council could not but take account of the directives given to their Foreign Ministers by the Heads of Government, after their recent meeting in Geneva, concerning the European security system, the unification of Germany, the reduction of armaments and armed forces, the peaceful economic development of all peoples, the removal of barriers to trade and the development of international co-operation in all other fields. The Council could contribute to the strengthening of peace and the welfare of the peoples by making its own efforts along the same lines. The Heads of Government had also declared that disarmament would release funds for the development of under-developed countries, a recommendation which had particular relevance to SUNFED. The Soviet Union sympathized with the aspirations of the under-developed countries to economic development and to higher living standards. Many of those countries were doing all they could in that direction with their own national resources, but in a large number of cases they needed foreign assistance as well to accelerate the process. In that connexion SUNFED could be of valuable assistance.

36. The Soviet Union delegation had studied Mr. Scheyven's *Report* with interest. In its view, SUNFED's main function should be to help under-developed countries to develop their economies, and in particular their industries. In that respect the proposals contained in the *Report* required substantial revision.

37. The *Report* recommended aid in the form of grants and loans—preferably the former. The problem, however, could not be solved by the creation of a charitable society; what was required was an organization capable of development, which could renew and expand its resources. Accordingly, his delegation favoured long-term loans, but only at lower rates of interest than were charged by commercial banks. Despite the fact that General Assembly resolution 520 A (VI) and the Committee of Nine had advocated long-term, low-interest loans, Mr. Scheyven's *Report* proposed that SUNFED should not be empowered to grant such loans where they might affect the rates charged by the Bank. A reduction in the Bank's rate of interest caused by the operations of SUNFED would, however, be a welcome development

since it would be to the benefit of the under-developed countries.

38. He was in favour of the proposal that SUNFED loans should be repayable in national currencies, but suggested that the fund should use the national currency thus secured to provide other countries with commodities from the country making the repayment. That would increase SUNFED's resources and at the same time promote international trade.

39. Mr. Scheyven had said that the establishment of SUNFED would not mean the creation of a new bureaucracy. Although the creation of new machinery was to be avoided wherever possible, his delegation considered that SUNFED ought to be an independent United Nations body, and that no attempt should be made to economize by subordinating it to the Bank. There would be a danger of this if the proposals contained in the *Report* were carried out. SUNFED ought to co-operate with other United Nations bodies on individual questions and to co-ordinate its activities with them on the basis of existing information.

40. A further important condition for the success of SUNFED was that the under-developed countries should have their due say in its management, the allocation of its funds and the execution of its operations.

41. The Soviet Union had shown its approval of the proposal to establish SUNFED by voting in favour of the resolution adopted on the subject at the eighteenth session of the Council (resolution 532 A (XVIII)), and also in favour of General Assembly resolution 822 (IX). His Government was ready to consider participating in SUNFED; and, since it considered that the fund should give particular support to the industries of the under-developed countries, it would make its contribution available in the form of machinery, equipment and materials.

42. International agreement on disarmament was no empty dream, and the resources made available in many countries by that process would constitute the main basis of SUNFED.

43. He congratulated Mr. Scheyven and the Committee of Experts on their *Report*.

44. Mr. GINEBRA HENRIQUEZ (Dominican Republic) said that his delegation maintained that it was high time that practical measures were taken to promote dynamic and stable economic development to ensure the attainment of the objectives set out in the Charter. As a result of the General Assembly's decision, the Council now had before it the excellent *Report* prepared by Mr. Scheyven and the Committee of Experts on the proposal to set up SUNFED. His delegation had read that *Report* with lively interest and trusted that its recommendations could be put into practice.

45. The fundamental question raised by the important problem now before the Council was: how were the under-developed countries to get the funds necessary for their economic development? Obviously, any country seeking to develop itself must be willing and able to sacrifice consumption for the sake of its savings and capital reserves; but the question arose as to whether, and to what extent, that was possible for the under-developed countries. It was well known that most of those coun-

tries found themselves in a vicious circle of poverty, insufficient savings and consequent lack of capital for development. Various solutions had been proposed for breaking that circle. There had been talk of inflation, as well as of imbalance in international payments.

46. Some people thought that more money in circulation would mean more investment and a higher level of employment. He could not agree with that view. On the contrary, experience had shown that the under-developed countries had no latent productive reserves which were only awaiting sufficient demand. They had, however, a great reserve of labour; but this could not be mobilized in the absence of capital or technical training and resources.

47. Others had proposed inflationary financing as a method of promoting compulsory savings through variation in the distribution of income and an increase in the general price level. It would be foolish to deny an important place to such measures in economic practice, but the important thing was to know where to draw the line in order to prevent unbalanced financing from taking a special form which would discourage saving and investment. In theory, that would not happen provided that investment were moderate and not unduly directed to the production of consumer goods; that additional purchasing power were neutralized; that wage levels were frozen; and that the prices of staple commodities were stabilized through controls.

48. It was, however, very difficult to ensure such conditions in the under-developed countries, because of the weakness of their administrative machinery and also because of the outlay required to create the necessary initial social capital. No country, in fact, had succeeded in financing its economic development by such methods. The obvious alternative was external aid, and his Government therefore supported the establishment of the International Finance Corporation, which it regarded as a necessary institution for the financing of economic development, particularly as, unlike the Bank, it would not require government guarantees for investments in private enterprise. By combining the resources of domestic and foreign private capital it could greatly contribute to raising the productivity of member countries.

49. His delegation had also followed with particular interest the ideas put forward by Mr. Scheyven and by various representatives in connexion with SUNFED. He hoped, with Mr. Scheyven, that with the experienced help of the Bank it would be possible to avoid the creation of a new international bureaucracy. To minimize that danger it was necessary, as the *Report* pointed out, to view the process of development as an international problem whose solution called for collective effort and the use of the resources of the rich countries to supplement the savings of the less-developed regions. But the advanced countries could also help by lifting protectionist restrictions detrimental to countries in process of development.

50. The time had come to pass from theory to practice. His delegation had many observations to make on the financing of economic development, but thought it would be more appropriate to present them in the Economic

Committee, where it would be able to describe its Government's policy for stimulating foreign investment, particularly for the development of natural resources and the diversification of agricultural and industrial production as well as the measures taken in those directions.

51. In conclusion, he stressed his delegation's belief that the Council should devote all its efforts to promoting the financing of economic development by practical methods calculated to produce such expansion of the flow of capital, both public and private, as was necessary to the under-developed countries. The Council should study closely the economic and social problems involved with a view to promoting international co-operation on a fair and practical basis which could open up new prospects for humanity.

52. Mr. SINGH (India) expressed his appreciation of Mr. Scheyven's *Report*. It was gratifying that there was a growing appreciation of the need, not simply to establish SUNFED, but to do so at an early date.

53. Credit-worthy and profitable projects would not be sufficient to meet the under-developed countries' development needs, and they would require help in building up their economic and social infra-structure through grants-in-aid or long-term loans at low interest—such as those to be provided by SUNFED. The economic development resulting from such measures would eventually yield its return to the financing countries by increasing world prosperity in general and by destroying the seeds of political discontent.

54. The under-developed countries realized that fulfilment of their newly awakened desire for development must chiefly depend on their own efforts. But they could not do without some assistance from outside. Their *per capita* incomes were increasing at a slower rate than those of the developed countries, and attempts to finance their development out of domestic savings without any outside assistance would mean reducing them to an even lower level than at present.

55. Regarding the timing of the establishment of SUNFED, he understood the difficulties that its early creation would entail for certain countries. The Council had, however, been considering the question for more than two years, and the recent change in the international situation had made the time ripe for positive steps. Europe had recovered from the Second World War, and the disarmament that was likely to ensue from the Conference of Heads of Government at Geneva promised to release resources which could be devoted to SUNFED. Unless the necessary preparatory work on the fund were started at once, the United Nations might be caught on the wrong foot when the resources actually became available. The purpose of the draft resolution submitted jointly by his own and five other delegations (E/L.683) was to ensure that the preliminary work should be begun at once.

56. Though the initial capital for SUNFED recommended in the *Report* represented a very small sum in relation to the magnitude of the task, it was better to start at once from small beginnings than to defer action altogether. It was true that the scheme represented a departure from normal techniques of international investment. The problem was, however, a special one

calling for a special approach. In addition, although projects assisted by SUNFED would not yield a normal return, they were nevertheless likely to be advantageous to both sides in the long run.

57. It was gratifying to note that the Bank had finalized the charter of the International Finance Corporation and invited signature of its Articles of Agreement. India had decided to join the Corporation after the necessary legal formalities had been completed.

58. The Articles of Agreement inevitably represented a compromise. A new financial institution has bound to be experimental in its early days, and his delegation hoped that it would be possible to amend the Articles in the light of experience as time passed. An Indian proposal for the admission of other members had been rejected, membership at present being open only to members of the Bank. It would be desirable to admit as many countries as possible so as to avoid any impression of discrimination, and he hoped that a formula might still be found for throwing the Corporation open to other countries which wished to join it. He also hoped that, despite the prohibition against the Corporation's investing in capital stock, it might be possible to make arrangements for placing risk capital in the under-developed countries.

59. With regard to the international flow of private capital, it should be remembered that, whereas both political and economic considerations had governed that flow in the past, a new position had been created by the change in the ties between the developed and the under-developed countries and by the new desire of the latter for development. The terms of financing needed to be adjusted to the new political and psychological situation in the under-developed countries.

60. The total amount of foreign capital invested in India from 1948 to 1953 had been Rs. 1,300 million (\$280 million), nearly two-thirds of which had been invested in foreign concerns already established in the country. After deduction of repayments, the net figure was Rs. 500 million, equivalent to \$100 million, or \$18 million a year. That showed a large measure of confidence in India on the part of investors, but the sum was not very large by comparison with the country's needs, or indeed with the confidence that it might legitimately inspire. India had given foreign investors assurances that there would be no discrimination against them; had provided facilities for remitting profits abroad and repatriating capital; and hoped that foreign investments in the country would increase. His Government's second five-year plan involved stepping up investment from 7 per cent to 11 per cent by 1960-1961, and laying greater emphasis on industrial development; and it was estimated that an additional Rs. 700 million of foreign capital would be required. Part of that sum might be available from international credit institutions, from the Colombo Plan countries and from other friendly nations on a government-to-government basis; but there would still be a need for considerable private foreign investment.

61. Mr. McDOUGALL (Food and Agriculture Organization) hoped that in further consideration of the question of SUNFED attention would be paid to the basic require-

ments of agriculture, which had received little mention in Mr. Scheyven's Report.

62. In many under-developed countries agriculture was mainly on a subsistence basis, and the steps needed gradually to convert the subsistence system of farming into one in which the cultivator could acquire purchasing power by selling some of his products must necessarily be non-self-liquidating for a long time. Such steps included the development of water resources, prevention of soil erosion (which often meant development of forestry), action to improve the land tenure system, the creation of technical services for agriculture, forestry and fisheries, and the improvement of nutrition for populations changing over from agriculture to industry. Agricultural projects of that nature ought to be regarded as constituting an essential part of the economic and social infra-structure.

63. The success of "death control", to which attention had been drawn in paragraph 9 of the report of the Food and Agriculture Organization (FAO) to the Council (E/2753), had brought an improvement in the health of the population of many countries which, while it provided a sound basis for increasing output, at the same time entailed a considerable increase in the consumption of food. That, in turn, called for an increase in agricultural productivity.

64. At its seventh session, the Conference of FAO had expressed great interest in the proposals for the establishment of the International Finance Corporation and SUNFED, and the report of the Conference had recommended that FAO, in co-operation with the appropriate international organizations, should explore the possibility of establishing jointly, on a national or regional basis, pilot projects for investigating the technological, sociological and economic problems involved in the reorganization of small peasant farmers on a group basis, accompanied by the provision of a necessary minimum of capital and management. The report estimated total investment needs for agriculture in under-developed areas at nearly \$4,000 million a year, of which one-half would have to be provided from international sources—an amount more than ten times greater than the figures for such investment between 1949 and 1952.

65. FAO was helping Governments to establish national credit institutions to provide farmers, fishermen and foresters with credit on reasonable terms, but international finance would be needed as well.

66. FAO would co-operate with SUNFED when established. Its experience in the technical assistance field should enable it to make a valuable contribution.

67. Mr. EGGERMANN (International Federation of Christian Trade Unions) speaking at the invitation of the PRESIDENT, said that IFCTU had always been in favour of close international collaboration for the economic and social development of the under-developed countries. Pointing to the responsibilities of both the Governments and the peoples of the under-developed countries, he said that the development of some savings system and an active consumption policy were essential measures for the steady development of economic life and social well-being in such countries. Thus, re-distribution of the national income was essential if the very

limited possibilities for saving were to be realized. Hence, international assistance was indispensable, and the achievements that had so far resulted from the various technical and financial assistance programmes of the United Nations and other international groupings showed clearly that it was essential to go yet further and to set up bodies such as SUNFED and the International Finance Corporation. With regard to the latter, IFCTU was pleased to see the reception given to the scheme by most Governments, and was convinced that it would play an effective part in the mobilization and investment of private capital internationally.

68. It was nevertheless plain that the unsettled conditions obtaining in some under-developed countries, and the poor return on capital, might frustrate the complete success of such schemes. It was therefore essential that the Governments of those countries take steps to stabilize the economic situation and put their house in order. In that respect, the Secretary-General's report entitled "Recent governmental measures affecting the international flow of private capital" (E/2706) was most instructive.

69. With regard to the economic structure of countries in process of development, the International Finance Corporation would do well to see that a proper balance was preserved between industry and agriculture. During the present session IFCTU had already expressed its concern about agricultural development, especially in connexion with the examination of the *Review of Economic Activity in Africa, 1950 to 1954* (E/2738), and had pointed out that in those countries, agriculture should not be organized for the benefit of the farmer, but in the light of the real needs of local consumption.

70. The draft Articles of Agreement of the International Finance Corporation should command the more or less unanimous approval of the States concerned. But arrangements should be made for collaboration between the Corporation and certain non-governmental organizations about the use to which the proposed investments were to be put.

71. IFCTU wholeheartedly approved of the guiding principles for the Corporation's operations, particularly article III, section 3, clause (iv) of the draft Articles of Agreement, which provided that, although it would have the right to acquire capital stock entitling it to participation in the earnings of companies in which it had invested, the Corporation should not assume responsibility for managing any such enterprise.

72. Even after the Corporation was in being, there would still be much to do, and for that reason IFCTU approved the proposal to set up SUNFED. Mr. Scheyven's *Report* should dispel any misunderstanding as to the operational organization and responsibilities of that body.

73. SUNFED was to consult with the regional economic commissions, and he once again urged the necessity for establishing at the earliest possible moment an economic commission for Africa—a continent which manifestly called for the assistance that the fund would be in a position to furnish.

74. He trusted that the Council would follow up the recommendations in Mr. Scheyven's *Report*, for it was urgent that steps should be taken to raise the standard of living of two-thirds of the world's population.

The meeting rose at 12.55 p.m.