



ECONOMIC AND SOCIAL COUNCIL

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President: Mr. Raymond SCHEYVEN (Belgium).

Present:

The representatives of the following countries: Argentina, Australia, Belgium, China, Cuba, Egypt, France, India, Philippines, Poland, Sweden, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Venezuela, Yugoslavia.

Observers from the following countries: Brazil, Indonesia, Israel, Japan, Libya, Syria.

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.

Economic development of under-developed countries (E/2381, E/2435, E/2440, E/2441, E/L.522, E/L.534, E/L.536 and Corr.1, E/L.537 and E/L.538) (continued)

[Agenda item 3]

1. Mr. WESTERLIND (Sweden) expressed admiration for the technical plan set forth by the Committee in the *Report on a Special United Nations Fund for Economic Development* (E/2381),¹ although he did not necessarily subscribe to all the Committee's practical conclusions.
2. Not a single speaker so far had questioned the need for an international co-operative effort to support the development of the under-developed countries. That unanimity was in itself an achievement. One of the aspects of that co-operative effort would be the exchange

¹ United Nations publication—Sales No.: 1953.II.B.1.

of technical knowledge in which the under-developed countries would be able to learn from one another's experience, as well as from the developed countries. The latter, too, would have something to learn.

3. The main question, however, was the need for capital in the under-developed countries. Although that need should largely be met by the formation of domestic capital, much foreign capital would also be required. There was nothing strange in that, since many of the most advanced countries had themselves at one time been more or less dependent on imported capital. In that connexion, he shared many, though not all, of the views expressed by the Yugoslav representative. The latter had unduly minimized the present, and particularly the potential, importance of a new flow of private capital to the under-developed countries. True, the flow of private capital had greatly declined, and an unguided private capital market was no guarantee of stability. But it must be admitted that not all private capital, whatever its shortcomings, was necessarily evil. An increased flow of private capital would demand, among other things, the minimum of political tension, an improved international payments system and a reasonable amount of security in the capital-importing country. On the latter point, he fully understood the position of the under-developed countries and their desire to avoid political dependence or exploitation. It was also understandable that the under-developed countries were averse to private foreign capital's reaping unduly high profits. But the tragedy of the situation was that any attempt to change conditions too rapidly would immediately make it more difficult to obtain private foreign capital, except for investments promising an unusually high rate of return.

4. He believed that an agency such as the proposed international finance corporation would prove useful in facilitating the flow of private capital. Some of the resistance to the scheme might conceivably be based more on private vested interests, and even on ideological motives, than on practical considerations. Nevertheless, he agreed that, owing to insufficient interest in the main financial centres and to balance-of-payments difficulties in many countries, the time was not yet ripe for the establishment of such an organ, though the idea should certainly be kept alive.

5. In speaking of the flow of private capital, he had no intention of minimizing the need for public international capital for economic development in the less advanced areas. His only concern was that the total flow of capital to the under-developed countries should be as large as possible.

6. In addition to the International Bank for Reconstruction and Development and the proposed international

finance corporation, the Council was being asked to consider the establishment of a Special Fund for Economic Development (SUNFED). Public opinion in Sweden was becoming increasingly aware of the need for financial assistance to the under-developed countries, and official proposals had been submitted to the Government for some form of bilateral aid to certain less advanced countries along the lines of the plans already adopted by Norway. Sweden hoped, however, that in order to avoid any duplication of effort a way might be found by which its assistance would be given in collaboration with the United Nations. Sweden was becoming more and more willing to co-operate, but he doubted whether the creation of new international institutions would really help the under-developed countries. The total flow of capital did not depend on the number of institutions, and in fact an increase in their number would involve higher overhead costs and a consequent waste of money. It would therefore seem more advisable to expand the existing institutions, such as the Technical Assistance Programme, which might eventually develop into something more like the United States Point Four Programme, coupling technical assistance with financial aid for certain projects.

7. The debate had shown that most of the developed countries which would be the main contributors to any additional assistance to the under-developed countries were in favour of the United States proposal (E/L.536 and Corr.1). That proposal certainly helped to keep the problem alive, and seemed to offer a positive solution for the future, provided there was genuine disarmament. Adoption of that proposal might make it more difficult to develop existing institutions, because countries would be unable to contribute to too many funds at the same time, but it might prove possible to combine any future development fund with the Technical Assistance Programme so as to avoid any unnecessary dispersal of effort. In the circumstances, he was inclined to support at least the main idea of the proposal, on the understanding that such support did not in any way commit his Government regarding the details of any future arrangements. The administrative arrangements and the establishment of new institutions or the expansion of existing ones would have to be decided upon when the time came. For the reasons he had given, he regretted that he was unable to support either the Yugoslav (E/L.522) or the Indian draft resolution (E/L.534).

8. He realized that the under-developed countries might feel disappointed at the Council's inability to agree immediately to the establishment of SUNFED. The representatives of the under-developed countries might even feel that the Council's discussions had led to very few practical results. But those results were far less negative than they might appear on the surface. There was general agreement that the United Nations must intensify its efforts to bring about economic and social advancement in the under-developed countries, and that agreement was due in no small measure to the experience gained by the representatives of the more developed countries in listening to those from the under-developed countries in the various United Nations organs and in the specialized agencies. It must also be remembered that the countries which would have to contribute to any

programme for increased financial assistance were all democracies, and that time was required to convince their people of the need for financial sacrifices on behalf of the under-developed countries. Much progress, however, had been made in recent years, and there was throughout the world an increasing awareness of the fact that the economic and social advancement of the less industrialized countries was the most important of all economic and social problems. He was convinced that sooner or later more practical action would grow out of that awareness. Indeed, if the problem was referred to the Economic Committee, there might even be a possibility of achieving a compromise formula at the Council's present session.

9. Mr. McDOUGALL (Food and Agriculture Organization) said that the Food and Agriculture Organization (FAO) was vitally concerned with each of the sub-items under the heading "Economic development of under-developed countries", although certain of the subjects were outside its own particular terms of reference.

10. With regard to the financing of economic development, he remarked that the "Report on International Investment and Financing Facilities" (C.49/16) submitted to the fifth session of the FAO Conference had shown the tremendous gap between the funds required and those available for investment, and had suggested a number of possible steps to remedy the situation. Among other things, the report had suggested special arrangements for long-term loans at very low rates of interest for long-term investment projects, such as irrigation.

11. At the same session, the representative of the Bank had stated that the Bank was experiencing difficulty in providing assistance for agricultural development, owing to the lack of specific and well-documented loan applications. Consequently, FAO had offered its help to governments in the preparation of such applications, and had also sponsored training centres in Pakistan, Chile and Turkey to train government officials in programming agricultural development projects and in assessing the financial implications. In 1952, the Director-General of FAO had sent out a questionnaire on agricultural credit, and, despite the small number of replies received, FAO intended to continue its efforts to assemble information on the subject.

12. At its seventeenth session, held recently in Rome, the FAO Council had agreed that the present volume of private and public funds destined for investment in agriculture was inadequate. It had taken note of the resolutions adopted by the Economic and Social Council, and had welcomed the consideration which the United Nations was giving to measures for the establishment of a new fund for grants-in-aid, low-interest long-term loans and other means to assist under-developed countries. It had also noted that the United Nations was considering means for financing programmes of agrarian reform. It had recommended that the Economic and Social Council should give particular attention to the need for stimulating agricultural development in order to raise the welfare of the population as a whole.

13. If the under-developed countries were to make sufficient progress really to improve their nutrition, more assistance was needed than was at present available.

Large increases in the production of food and raw materials would require substantial investment in irrigation and other similar projects. In that connexion, he quoted the statement in the Secretary-General's report submitted in 1949 on *Technical Assistance for Economic Development* (E/1327/Add.1, page 6)² that a little development might sometimes be a dangerous thing if it provided only a temporary palliative for starvation and misery without bringing about a continuing, balanced rise in welfare and productivity.

14. In connexion with the FAO Working Paper on productivity (E/2435), he emphasized the fact that, in attempting to increase productivity in agriculture, as opposed to industry, it was necessary to make sure that renewable resources were improved and not decreased or wasted. So much had been said about unwise methods of cultivation causing soil erosion and the creation of dust-bowls that it was easy to lose sight of the way man had improved his use of the land. Yet the beneficial effects of sound agricultural practices had probably had wider economic repercussions than the devastation wrought by bad methods. He drew attention in particular to the section of the paper dealing with fisheries (pages 10 and 11), since new methods of locating and catching fish should lead to important increases in production.

15. The six principal means of raising productivity in agriculture were set out on page 6 of the FAO paper (E/2435), but mention should also be made of the importance of incentives, of adequate and supervised agricultural credit systems and of adequate and stable prices for primary products.

16. On pages 18 to 19 of the FAO annual report to the Council (E/2432), a brief account was given of the Organization's activities in connexion with commodity problems. The FAO Committee on Commodity Problems, which was the only United Nations inter-governmental body of its kind, had, since the submission of the FAO annual report, held another meeting at which it had adopted two resolutions³ concerning co-operation with the Economic and Social Council. The first resolution contained a recommendation that the Director-General should keep the review on dollar trade in agricultural products up to date and should submit it to the Council for consideration during its next discussion of the world economic situation, while the second recommended that the Director-General should transmit a paper entitled "Intergovernmental Policies and Arrangements for Agricultural Products" (CCP/53/16) to the Secretary-General of the United Nations for the attention of the group of experts to be appointed under paragraph 6 of General Assembly resolution 623 (VII).

17. In conclusion, he quoted from the *Final Report of the Mixed Committee of the League of Nations on the Relation of Nutrition to Health, Agriculture and Economic Policy*,⁴ a statement that malnutrition was at once a challenge and an opportunity; a challenge to men's

consciences and an opportunity to eradicate a social evil by methods which would increase economic prosperity. If the word "malnutrition" was replaced by the words "under-employment and under-development", the statement would be a most appropriate comment on the debate in the Council.

18. Mr. ENNALS (World Federation of United Nations Associations), speaking at the invitation of the PRESIDENT, said that his organization was anxious that the United Nations should find some financial means of speeding up economic and social development, over and above the Technical Assistance Programme. The question of the financing of economic development had been under discussion by the Federation for the past four years, and careful study had also been given to the proposal for the establishment of a special United Nations fund for that purpose. He was not in a position to state the Federation's attitude to the proposal, but he warmly congratulated the members of the committee of experts upon their interesting report.

19. Under a resolution adopted by the last assembly of the Federation, he was bound to emphasize that, should a special fund be established, the territories under United Nations Trusteeship should benefit fully from its operations. It was important that the economic development of the Trust Territories should be speeded up so as to ensure a firm basis for their future political autonomy; but, in the case of certain Trust Territories, the burden was too great for the Administering Powers to bear alone. There was no mention of the Trust Territories in the report of the committee of experts, and he wondered whether it had considered that aspect of the question. In any event, he hoped that the United Nations would give more active consideration in future to the problem of financing economic development in the Trust Territories, since it had assumed a special responsibility towards them under the Charter.

20. Mr. EGGERMANN (International Federation of Christian Trade Unions), speaking at the invitation of the PRESIDENT, said that the International Federation of Christian Trade Unions (IFCTU) had already taken up the problem of productivity in its programme. It was anxious for workers to be protected against any undue demand being made of them as the result of excessive speeding up of work. It would, in particular, like to see the hours of work reduced.

21. At the beginning of 1953, the authorities of IFCTU had declared that, in their opinion, the development of under-developed territories should be promoted for the benefit of the international community as a whole. The inhabitants of those countries should, however, be the first to benefit from such development, and that principle applied not only to under-developed countries in general, but also to non-metropolitan territories. That was the spirit in which the IFCTU approached the question of productivity.

22. The General Secretary of IFCTU had declared that productivity must be linked with an improvement in the well-being of mankind. That was the only right approach, one that would avoid the dangers attending an ill-conceived or ill-executed productivity policy. Those dangers, as mentioned in the ILO working paper

² United Nations publication—Sales No.: 1949.II.B.1.

³ "Report of the Committee on Commodity Problems" (FAO document CCP/53/21).

⁴ League of Nations publication — II. Economic and Financial Questions, 1937.II.A.10.

(E/2440), consisted in increased exploitation of the working class and a tendency to seek ever higher profits. The workers did not intend to be treated as mere tools for increasing productivity. They claimed their share in the benefits accruing from such an increase.

23. At its Congress in 1952, IFCTU had proclaimed the need for a thorough reform of modern enterprises and had demanded the introduction of joint management so that wage-earners could play an active part in the orientation, administration and management of enterprises.

24. Speaking of industrial and agricultural labour in under-developed countries in tropical areas, he recalled that the Chairman of the Federal Union of Christian Trade Unions of French Equatorial Africa, in a study of the human factor in productivity in his country, had singled out four main factors for special analysis: psychology, physiology, climatology, and vocational training. In the matter of psychology, after a reference to the background of slavery and forced labour in Africa, he had noted that the memory of those abuses was so deeply implanted in the mind of the African worker that he no longer had any taste for work. In the matter of physiological factors, he had pointed out that one bar to increased output was the fact that most African workers suffered from under-nourishment. Again, there could be no doubt that the tropical climate adversely affected the indigenous worker's output. Finally, in the field of vocational training, he had said that what was needed was to give African workers a basic education and technical training.

25. With reference to relative productivity, Mr. Senghor had pointed out, during a discussion in the National Assembly on the Labour Code, that, while the African worker's output was only a quarter of that of the metropolitan worker, it should not be forgotten that the output of the European worker was only a third of that of the American.

26. In a resolution adopted at the beginning of 1953, IFCTU had declared that it could not envisage any increase in the productivity of African labour unless steps were taken to ensure an adequate and balanced diet, to co-ordinate efforts for the organization of buying and selling co-operatives serving the indigenous consumer, to organize and develop vocational training, to generalize compulsory primary education, and at the same time to give the indigenous population greater access to intermediate and higher education.

27. Such a policy, carried out within the framework of the suggestions which the President of IFCTU had recently submitted to the Council,⁵ would not only raise productivity in the under-developed countries, but would also ensure the well-being of their populations.

28. IFCTU was determined to pursue the study of that important problem in company with the Council, and, in that connexion, the meeting of the ILO committee of experts on social policy in non-metropolitan territories, due to be held at Lisbon in December 1953, could count on its full co-operation.

29. Finally, the Council should recommend that the governments and specialized agencies concerned should

⁵ "Social and Economic Policies in Non-metropolitan Territories" (E/C.2/348).

intensify their efforts to improve the welfare of the inhabitants of under-developed countries, bearing in mind that the development of a free and democratic trade unionism would enable workers to safeguard their interests and to benefit from any increase achieved in productivity.

30. Mr. TERENCE (United Nations Educational, Scientific and Cultural Organization) said that many of the activities of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the field of science and education contributed to the economic development of under-developed countries. Consequently, UNESCO was following with interest the Council's work on measures to increase productivity, and was doing what it could to support the work of the International Labour Organisation and FAO.

31. Production in the under-developed countries depended, in the last analysis, on millions of peasants and workers, most of whom were illiterate. UNESCO was helping governments to train staff for fundamental education campaigns; with that object in view it had set up regional training centres for Latin America and for the Arab States, as well as demonstration centres. In addition, it was helping certain States Members to develop State education, and, in particular, free and compulsory primary education. An Inter-Governmental Regional Conference of Southern Asian and Pacific States had met under UNESCO's auspices in December 1952 and made a series of recommendations for the progressive development of free and compulsory schooling. In co-operation with the ILO, UNESCO was also giving several countries technical assistance in technical and vocational training. Lastly, it had of recent years started to carry out a workers' education programme, which so far chiefly concerned the industrialized countries, but would very soon be extended to southern Asia.

32. In the scientific field, UNESCO had taken action to co-ordinate research on the reclamation of arid zones. Collaboration with FAO would make it possible to apply certain scientific discoveries to agriculture. At the moment it was undertaking a similar task in connexion with the humid tropical zones.

33. In the field of the social sciences, UNESCO was co-operating with FAO, the ILO and the United Nations on the problem of land reform, and in particular studying the part played by co-operatives. It was also studying the social effects of industrialization in the under-developed countries. It was possible that, with the help of the competent international organizations, whose co-operation it was enlisting, it might be able to make a scientific study of the sociological, cultural and psychological factors affecting productivity.

34. UNESCO took a great interest in the studies concerning the creation of SUNFED. At its seventh session, the General Conference had requested the States Members concerned to draw up for 1954 financial plans aiming at the introduction, by stages, of free and compulsory education. The plans would relate particularly to school buildings, equipment and canteens, medical inspection and teachers' training.

35. In view of the recommendations made by the Regional Conference on Free and Compulsory Education in South Asia and the Pacific, held at Bombay, the Executive Board had instructed the Director-General to associate UNESCO with any action that the United Nations and the specialized agencies might take to provide the countries of that region with a larger measure of technical and financial assistance.

36. Mr. B. R. SEN (India) said that, having dealt with item 3 (a) in his previous statement, he would confine his present remarks to items 3 (b) and (c).

37. With regard to the proposal for an international finance corporation, a knowledge of some of the history of the proposal was required in order to appreciate the position fully. The proposal had originally been made by the United States International Development Advisory Board in March 1951. It had been discussed by several United Nations organs and had eventually been referred to the Bank for consideration in August 1951. Accordingly, the staff of the Bank had discussed the proposal with representatives of investment communities in a number of countries from which the proposed corporation might reasonably attract capital, and had also taken into account official statements on behalf of a number of under-developed countries interested in the proposal. The Bank had then submitted its first report (E/2215), and had reached the conclusion that an institution of the nature and functions suggested would fill an important gap in the existing international machinery for financing economic development. In forwarding the report, the President of the Bank had explained that the Executive Directors were not expressing any opinion on the merits of the proposal or any opinion on behalf of the governments they represented. At its fourteenth session, the Council had discussed that report and had suggested that governments should consult with international organizations and business groups and transmit their comments to the Bank. It had also asked the Bank to report the results of its further examination of the proposal. The Bank's second report (E/2441), at present before the Council, stated that the general comments received had followed the lines already indicated in the previous report, and once again the Bank expressed no opinion of its own. It explained the position by saying that, since the countries on which the corporation would necessarily have to depend for the greater part of its funds had not yet indicated their readiness to commit themselves to subscribe to its capital, it was premature to attempt greater formalization of the project.

38. He appreciated the Bank's position, but felt that the Council could go one step further, by evaluating some of the arguments for and against the proposal. It had been argued that the unfavourable investment climate rather than the lack of capital was the real deterrent to private investment abroad, and that by making the under-developed countries less dependent on the private investor the corporation was likely to weaken rather than strengthen the climate. It had also been argued that the corporation would not necessarily add to the overall amount available for investment in under-developed countries, and that the projected scale of operations was too small in any case to have any significant impact on the international investment problem. In his opinion,

all those arguments had been adequately covered in the Bank's original report. As that report had stated, the corporation's success would not be measured by the amount which the Bank could provide from its own resources, but rather by the flow of capital which the corporation would generate directly or indirectly from private investors. The Bank had gone on to express the view that there were good reasons for concluding that the corporation would be able to give a substantial stimulus to the growth of private enterprise.

39. He recognized that there was an important group of business and financial communities among whom the proposal for an international finance corporation had met with complete disfavour. Their opposition was stated to arise generally from the belief that public funds should not be used for equity investments in private enterprises. As the Bank had observed in its original report, it was clear from the nature of the views of these communities that no changes in the structure or in operational methods would overcome their objections. It seemed, therefore, that the only way to win them over would be to give an actual demonstration of the successful working of the corporation.

40. Although it was true that there was as yet no unanimity of opinion, he pointed out that, among the highly developed countries which had been consulted by the Bank, at least two had indicated their approval, and others had expressed sympathetic interest, but had reserved judgment on the merits of the proposal. Moreover, the preponderant groups among the business and investment communities of different countries had expressed themselves in its favour. The proposal had also been strongly supported by a large number of States Members, and he therefore felt that the Council should adopt a positive approach. It should also be borne in mind that the proposal, as developed by the Bank, envisaged that the corporation would begin operations on a moderate scale and expand them gradually.

41. It was against that background that the Council should consider its recommendation to the General Assembly. While in the opinion of many countries the discussions and studies on the proposal had advanced sufficiently to make it possible to take a decision, he realized that the success of the scheme would depend very largely on the willing and unreserved co-operation of the main capital-exporting countries, particularly the United States. That was what had prompted the Indian delegation to submit its draft resolution (E/L.534), in which it was emphasized that a more detailed plan based on the studies and investigations already made might enable the various interests concerned to make a more definite approach to the problem. At the same time, the resolution clearly stated that the preparation of such a plan would not involve any definite commitment either on the part of the Bank or of any government. The purpose was to take the consideration of the scheme a step farther, and not to come to any final decisions.

42. With regard to sub-item 3 (c), he said that India was extremely interested in the question of increasing productivity, and he hoped that the important recommendations in Council resolution 416 E (XIV) would

be more and more applied in the future, particularly in the under-developed countries. A team of experts had visited India to study the problem and, being aware of the shortage of capital, had based their recommendations on the manpower and materials already available. On their recommendation, the Government had agreed to establish a national productivity centre at Bombay. He hoped that, once the centre was operating, it might be able to offer assistance to other countries. The Indian Government was also preparing a programme for increased productivity in agriculture. He also referred to the aid received by India under the Technical Assistance Programme, the United States Point Four Programme and the Colombo Plan.

43. The PRESIDENT invited representatives to turn from the discussion of item 3 as a whole to consideration of the individual sub-items.

44. Mr. HILL (International Bank for Reconstruction and Development) said that the Bank's report (E/2441) on the International Finance Corporation (sub-item (b)) was designed merely to summarize the results of the Bank's consultations since the Council's last examination of the proposal at its fourteenth session.

45. The Bank was still of opinion that the international finance corporation would give a modest but worth-while stimulus to the growth of private enterprise and thus further the development of the Bank's member countries. For the time being, however, the unwillingness of the more important member countries to subscribe to the corporation's capital made it doubtful whether any useful purpose would be served by taking the project a step farther at the present moment.

46. The Bank intended, however, to continue to explore the matter with its States Members, and would inform the Council of any significant subsequent developments.

47. Mr. MATES (Yugoslavia) regretted that the rules of procedure did not allow Mr. Suárez, the Chairman of the committee on SUNFED (sub-item (a)) to be present at the meeting to introduce its report (E/2381). As the only member of the committee present, he wished to thank representatives for their commendation of the report, and also paid tribute to the valuable assistance rendered by the Secretariat in its preparation.

48. He recalled the Uruguayan representative's suggestion at an earlier meeting that, in view of the General Assembly's misgivings with regard to overlapping, it would be preferable not to set up an independent body, and pointed out that that issue had been exhaustively discussed in chapter VI of the report.

49. He asked representatives to regard the report as a working paper, designed to provide a flexible basis for future decisions, and not as a set of cut-and-dried proposals.

50. He was glad to note the large measure of agreement in principle reached by the Council on the report's recommendations, but regretted that agreement did not extend to its practical implementation.

51. There had, for example, been a clash of opinion on whether action should be taken on the fund regardless

of progress in disarmament. He felt that, since any decision to postpone the setting-up of the special fund could not possibly speed up disarmament, there could be no reason for delay on political grounds. From the economic standpoint, while it was certain that disarmament would make increased funds available for development, it was possible that at one stage or another aggregate contributions to the fund might diminish. Such ups and downs were inevitable. Whatever the position in the immediate future, it was essential to emphasize that the scheme was breaking new ground, and it would therefore be some time before it got into its stride. The important point was to make a beginning and to allow the fund to acquire experience before branching out on a wider scale. In any case, he felt that the initial sum of \$250 million envisaged in the report could hardly jeopardize the security of the main contributory nations.

52. He thought, too, that the fears expressed by certain representatives of a possible contradiction between bilateral arrangements and the fund's operations were groundless. He drew attention, in that connexion, to paragraph 16 of the report, which stressed the value of assistance rendered by one country to another. Yugoslavia could testify from its own experience to the generosity of friendly nations. He urged the Council, in a deteriorating economic situation, to take immediate action to promote development. If it failed to do so, even greater evils might befall mankind.

53. Mr. WARNER (United Kingdom) expressed agreement with the Belgian and Swedish delegations' refutation of the argument that equity investment was an unsatisfactory means of developing under-developed countries. His delegation considered that equity investment offered certain advantages over fixed interest capital, among them that of bringing with it "know-how" and technical skill. Moreover, as the Belgian representative had pointed out, a number of the criticisms of private investment were based on the experience of the latter decades of a long period of investment, and failed to take into account the heavy losses possibly sustained at an earlier stage. Irrespective of the balance between capital invested and profits withdrawn, however, it could hardly be denied that the latter represented only a proportion of the wealth created, directly or indirectly, by the original investment. Indeed, the Yugoslav representative had even reproached private capital investment with creating too large an additional export income for countries in process of development.

54. Other representatives had argued that, while equity investment as such was desirable, an international institution was necessary to promote and supplement its flow. He doubted, however, whether an increase in international equity investment could be secured only by setting up a new international body. He would not recapitulate the arguments for and against such a measure debated at previous sessions, but the position was that the United Kingdom Government was not at present able to offer any financial contribution towards the international finance corporation. Other governments were, it seemed, equally unprepared to contribute. In all the circumstances, he urged the Council to give very careful

consideration to the advice of the Bank that there was nothing to be gained by greater formalization of such a project at the present time.

55. The United Kingdom Government's present unwillingness to subscribe to the proposed corporation's capital was not due to lack of interest in development. On the contrary, the United Kingdom had to its credit a number of ambitious schemes for financing economic expansion. At the Council's fourteenth session the United Kingdom delegation had illustrated some of its points by drawing on the experience of the Colonial Development Corporation, a government-financed body. Since then, the Commonwealth Development Finance Company had been formed with an initial capital of £15 million, subscribed by private interests, with the object of financing development projects in the Commonwealth and of enabling Commonwealth countries to obtain ready access to industrial, financial and commercial experience in the United Kingdom. In so doing, it would co-operate with other organizations in the same field and, where appropriate, with overseas capital markets and the Bank. Its work was facilitated by the relative absence of exchange and transfer difficulties within the Commonwealth, and by the existence in London of great financial and commercial institutions.

56. He was not suggesting that identical arrangements would be suitable for other parts of the world, but felt that a more effective answer to the problem of development might be provided by a more flexible and diversified approach than through the creation of institutions of universal scope.

57. His delegation, therefore, would be able to support the Indian draft resolution (E/L.534) only if it was amended to bring it more into line with the advice tendered by the Bank.

58. Mr. BAKER (United States of America) expressed complete agreement with the United Kingdom representative's views on overseas development. He congratulated the Bank on its report on the proposed international finance corporation (E/2441). The United States Government was one of those which did not yet feel able to commit itself to subscribing to the proposed corporation's capital. It would, however, be more appropriate for him to deal with the matter in detail at the forthcoming meeting of the Economic Committee, at which he understood the Indian draft resolution was to be considered.

59. Mr. MASOIN (Belgium) recollected that at the 728th meeting he had expressed his disappointment at the Bank's conclusions concerning the formation of an international finance corporation. Since hearing the statement made by the Bank's representative, he realized that it was from motives of prudence that the Bank had been so cautious in the wording of its report. He noted that the Bank intended to continue its study of the question. That was what he had wanted it to do, and he would support any resolution urging the Bank to continue its examination of the proposal to form an international finance corporation.

60. Mr. MALET (Uruguay) instanced a number of foreign concerns which had made a valuable contribu-

tion to Uruguay's economy, and concluded that there need be no clash between private investment and the activities of the international finance corporation.

61. Mr. UZCATEGUI RAMIREZ (Venezuela) said that his Government welcomed foreign investment capital and wished for an increase in its volume. It had been the consistent policy of Venezuela to offer such investments security, equality with national capital and freedom to export profits.

62. Mr. ARNOW (United States of America) said that his delegation was particularly interested in methods of increasing world productivity (sub-item (c)). The best results were likely to spring, not, as was generally imagined, from intensive mechanization, but from an active interest in productivity on the part of those engaged in production, as was proved by the fact that the increase in agricultural output in his country during the past decade had in the main been due to such measures as better farming techniques and the increased use of fertilizers and insecticides.

63. In recent years, his Government, in response to requests from a number of other governments for advice as to how to increase their productivity, had helped them to set up productivity centres in which labour, management and the governments concerned participated. He then quoted a number of instances of remarkable increases in output achieved thereby.

64. The United States Government, he continued, had been active in the less industrialized countries as well. In connexion with its technical assistance programme, advisory centres had been set up by the Governments of Chile and Brazil with the aim of promoting a better use of manufacturing equipment and improved techniques of productivity generally. In those countries, too, it had been demonstrated that output could be raised without resort to increased mechanization.

65. He was impressed by the valuable work being done in that sphere by the ILO and FAO, whose emphasis on agricultural education he welcomed. He stressed the need for co-ordination among the specialized agencies, a point brought out by the Director-General of the ILO in his report to the Council (E/2462).

66. The United States Government considered that the productivity programme deserved a very high priority, since, among other things, it could yield more immediate results with a lower proportion of expenditure than most forms of United Nations activities. It was ready to co-operate through its Point Four projects and through the United Nations specialized agencies in measures designed to raise productivity.

67. Mr. MASOIN (Belgium) commended the way in which the FAO and the ILO had treated the problem of productivity in their reports. Both bodies had shown that capital investment was not the only requirement, and that the essential element in economic development was the human factor. Increased productivity depended on the professional training of the workers and on the surroundings in which they lived—the family *milieu*, the conditions of employment and the work of the trade unions.

68. The problem of productivity was being dealt with by the Council from the standpoint of the economic development of under-developed countries, but the highly developed countries too could certainly profit by the experience and knowledge obtained.

69. In conclusion, he stressed the importance of the ILO report (E/2440), and hoped that it would be given the widest possible publicity.

The meeting rose at 5.45 p.m.