



ECONOMIC AND SOCIAL COUNCIL

Sixteenth Session

OFFICIAL RECORDS

Thursday, 16 July 1953  
at 10.30 a.m.

PALAIS DES NATIONS, GENEVA

CONTENTS

Economic development of under-developed countries ( <i>continued</i> ):	<i>Page</i>
(a) Report on a Special United Nations Fund for Economic Development, submitted by a Committee appointed by the Secretary-General (Council resolution 416 A (XIV), General Assembly resolution 622 A (VII)) (E/2381);	
(b) Report of the International Bank for Reconstruction and Development on the question of creating an international finance corporation (Council resolution 416 C (XIV), General Assembly resolution 622 B (VII)) (E/2444);	
(c) Methods to increase world productivity (Council resolution 416 E (XIV)) (E/2435 and E/2440); Draft resolutions (E/L.522, E/L.534, and E/L.536 and Corr.1) . . . . .	151

*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, Chile, Denmark, Indonesia, Iran, Israel, Italy, Japan, Netherlands, 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 Monetary Fund.

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

[Agenda item 3]

1. Mr. B. R. SEN (India) said that he had been deeply impressed by the sincerity of the statement made by the United States representative at the 725th meeting. In recent years the United States had given substantial assistance towards the development of the under-developed countries. His own country, for example, had not only been tided over temporary difficulties—for example, by the wheat loan of 1951—but had also been assisted in furthering long-term development projects. Moreover, no political strings had been attached to such assistance. Nevertheless, it was open to question whether progress towards the economic development of the under-developed countries must necessarily be delayed pending a relaxation of international tension.

It was in fact clear from General Assembly resolution 520 A (VI) that disarmament was not regarded as a prerequisite for the establishment of a special fund, as the Egyptian representative had emphasized the previous day.

2. In considering the *Report on a Special United Nations Fund for Economic Development (E/2381)*,<sup>1</sup> it was necessary to bear in mind that its terms of reference had not included consideration of the desirability of establishing a fund or of the time at which circumstances would permit of its establishment. Those broader issues were the responsibility of the Council itself. The members of the Committee, who had served in a personal capacity, had been chosen for their experience and ability and with due regard for geographical representation. It was a matter of importance that a group so composed should have arrived at unanimous recommendations.

3. Three questions arose in connexion with the report, the first, whether it was sufficiently detailed for its purpose, the second, whether a new organization was required and the third, whether existing circumstances were such that the Council should recommend the General Assembly to establish a fund.

4. On the first question, the debate had revealed a body of opinion in favour of transmitting the report to the Assembly without undertaking a detailed examination of the plan. But the Committee, which had prepared the report, had been set up solely to assist the Council and, under General Assembly resolution 520 A (VI), it was the Council itself which had been requested to submit a detailed plan; surely, therefore, it must express some view on the merits of the Committee's proposals. In his delegation's opinion, all the points listed in paragraph 2 of the operative part of General Assembly resolution 520 A (VI) had been adequately covered by the report. The Committee itself had recognized that many details of the fund's operations would be within the competence of either its General Council or Executive Board. The report was sufficiently detailed to form the basis of a concrete decision by the Council and he agreed in general with the Egyptian representative's comments.

5. As for the second question, General Assembly resolution 520 A (VI) had stipulated that the creation of a new international organization should be considered only if a careful examination of the functions of existing organizations proved that the required functions could not be carried out by them. So far as could be seen, no existing international agency was in a position to provide grants-in-aid and long-term, low-interest loans to under-developed countries for the financing of non-self-liquidating projects. That situation had been tacitly

<sup>1</sup> United Nations publication—Sales No.: 1953.II.B.1.

accepted by the Assembly and the Council and was the assumption on which the United States draft resolution (E/L.536 and Corr.1) was based.

6. With regard to the third question, the United States representative had maintained that the establishment of a fund was not a practical proposition at the present time, as the major contributing countries were not in a position to provide the necessary funds, an opinion shared by the United Kingdom representative. It had been bluntly stated by one representative that the contributing countries continued to be reluctant to relinquish control over funds made available for economic development. Such an attitude was, however, at variance with General Assembly resolution 520 A (VI) and with the action hitherto taken by the United Nations. That assistance to the under-developed countries should be given within the framework of the United Nations had been the premise on which all the relevant resolutions both of the Assembly and of the Council had been based. The United States representative's argument that the position had not changed since the Assembly's sixth session bore no relation to the realities of the international situation. In the past two decades the common man, particularly in the under-developed countries, had become increasingly aware of his right to a better and fuller life, and his dissatisfaction was increasing with the ever-widening gap between food production and population growth. Unless speedy action was taken to meet his claims, mankind would be faced with a menace far greater than present world tension. It was therefore difficult to appreciate the argument that that tension made it impossible to provide funds for economic development.

7. His delegation welcomed the Soviet Union's decision to participate in the United Nations Expanded Programme of Technical Assistance and to make a contribution of 4,000,000 roubles in 1953. He did so not only because that decision represented an increase in the funds available for technical assistance, but also because it represented an offer of friendship and understanding co-operation. The Soviet Union representative had expressed some misgivings in regard to the present administration of the Technical Assistance Programme. Perfection could not be claimed for any institution, much less for a new one like the Technical Assistance Administration (TAA), but India considered that the Administration had succeeded in maintaining the highest standards of international service. He was, however, sure that any suggestions put forward by the Soviet Union representative to increase the effectiveness of the Technical Assistance Programme would receive sympathetic consideration.

8. Mr. LOPEZ (Philippines) said that the universally-recognized need to accelerate the development of the under-developed countries was based on a number of generally-accepted principles, the first being that such development was an undertaking for which the international community as a whole must assume collective responsibility, the second, that the acceleration of economic development in the under-developed countries and the maintenance of full employment in the more developed countries were but two facets of the same prob-

lem, and the third, that economic development of the under-developed countries was the most important single element in any concerted programme to ensure a sound expansion of the world economy. While those three principles had been endorsed in numerous United Nations documents, certain other principles connected with assistance to the under-developed countries were still a matter of controversy.

9. One such principle was self-help. Both in connexion with technical assistance and the financing of economic development, the under-developed countries had been compelled to accept much well-intentioned advice about helping themselves before accepting help from others. Two arguments might be used to refute that contention, first, that it was hardly fair for certain of the more developed countries, which were themselves largely responsible for the distorted economies of many under-developed countries, to expect the latter to remedy the situation mainly or solely by their own efforts, and second, that the under-developed countries had willingly matched from their own resources any funds received from the United Nations or under bilateral assistance schemes. To continue to stress that principle as a prerequisite for technical or financial assistance was to give the impression that it was being used as an excuse for failing or refusing to provide such assistance.

10. A second controversial issue was that of motive. It was fruitless to discuss whether assistance was given to the under-developed countries for altruistic or selfish motives. Human nature being what it was, it might reasonably be assumed that the motive was self-interest, concealed wherever possible behind an outward show of generosity or altruism. That motive must therefore be accepted and turned to good account. Most schemes of bilateral assistance had served till then the avowed purpose of helping the free world to remain free and were thus based on the elemental motive of self-preservation. But at a time when there was some prospect of a relaxation of international tension, that motive might become less cogent and should be replaced by another. The Council's discussion of full employment had made it clear that that goal could not be achieved in the developed countries without removing restrictions to international trade and stimulating the economic development of the under-developed countries. That point had been brought out by the Yugoslav representative, who had emphasized the point that dollar loans provided foreign countries with the wherewithal to buy goods produced in dollar countries. By helping the under-developed countries, the more developed countries were therefore helping themselves.

11. A third controversial issue was connected with the understandable but unjustified fear of the peoples of developed countries that by helping the peoples of the under-developed countries to raise their standards of living they might run the risk of lowering their own. Unworthy though it was, that argument, which was similar to arguments used against the ratification of covenants on human rights or freedom of information, called for some reply. If prosperity was to be the exclusive patrimony of those countries that now enjoyed it, and if the rest of the world must accept poverty and disease as its predestined inheritance, speeches extolling

international co-operation were idle words, the Charter was meaningless and the United Nations itself had no *raison d'être*.

12. According to the London *Times* of 13 July 1953, the General Council of the World Federation of United Nations Associations (WFUNA) had decided to request the United Kingdom Government to press for the setting up of a world development authority under the United Nations, authorized to raise at least \$10,000 million a year to assist the under-developed countries to raise their standard of living. The General Council had also agreed that the situation was sufficiently grave to warrant a temporary reduction in the standard of living of the United Kingdom. He did not himself consider that such a reduction was inevitable. It was at least open to question whether the substantial assistance which the United States had given to many countries, including his own, had resulted in any decline whatever in the standard of living of the American people. Such a reduction would in any event be a purely temporary phenomenon, since assistance on so large a scale would bring about a startling improvement in the economies of the under-developed countries, thus opening up wide markets for the goods of the developed countries.

13. The *Report on a Special United Nations Fund for Economic Development* had, he observed, been drawn up by a committee composed of highly distinguished experts, whose recommendations were notably cautious, balanced and moderate, pointing to a most careful examination of all the essential aspects of the problem. While it was no doubt for other experts to express an opinion on the technical aspects of those recommendations, some features of the report seemed to call for special commendation.

14. In the first place, the report defined carefully and accurately the role of the Special Fund in relation to other sources of funds for economic development, treating it as a supplement to domestic sources, bilateral assistance, private capital investments, United Nations programmes of technical assistance and the International Bank for Reconstruction and Development. Secondly, it emphasized the role of the Special Fund as a United Nations agency specifically designed for the accomplishment of the purposes of the United Nations Charter and for those purposes alone, a feature distinguishing it from any other international financial institution at present in existence. Thirdly, it placed the question of self-help in a new perspective, treating the Special Fund not only as a supplement to domestic sources of development capital, but also as a factor capable of stimulating the development of methods of self-help. Fourthly, the recommendation that the Special Fund should not be established until the equivalent of at least \$250 million had been pledged by at least thirty governments was a cautious and rational approach; the goal set was well within the capacity of States, even allowing for the attitude of unwillingness that had found expression during the debate, and it assured a reasonably broad basis of membership for the Special Fund. Fifthly, the report emphasized the point that the Special Fund should not serve as a means for economic or political interference in the domestic affairs of the under-developed countries; the basis on which it would operate would thus bring it closer to United Nations technical assistance programmes than were other existing

sources of financial assistance. Lastly, the report rightly stressed the non-commercial character of the Special Fund's operation without in any way relaxing the conditions or criteria laid down for the provision of grants or loans to requesting countries.

15. His delegation was not prepared to say at that stage that it accepted the report in all its details, but it regarded it as an important advance towards the ultimate establishment of a Special Fund. That being so, it welcomed the references made the previous day by the representatives of the United States and the United Kingdom to the declarations of President Eisenhower and Sir Winston Churchill. The former declaration had been embodied in Part A of the United States draft resolution (E/L.536). He would recall in that connexion the proposal made by Sir Benegal Rau two years before, at the height of the Korean conflict, that States Members should pledge themselves to contribute a modest percentage of savings from disarmament to a fund for the economic development of the under-developed countries.

16. His delegation was prepared to support Part A of that draft resolution, but regretted that it could not accept Part B, which it considered was logically inconsistent with Part A and constituted an anticlimax. He did not think that the association of Parts A and B was justified either by previous Assembly or Council resolutions on the Special Fund or by the Committee's report. In General Assembly resolution 520 A (VI) the savings accruing from any programme of disarmament had been described as only one of the sources of contributions to the Special Fund. It was clear from the report itself that the sum of \$250 million, which was proposed as the initial operating capital of the Special Fund, would be derived from ordinary contributions and did not include possible additional contributions resulting from savings on disarmament. Moreover in the interests of the prestige of the Council itself, he felt it would be inexpedient to transmit to the General Assembly a most important report, in which the Assembly had twice expressed the deepest interest, with an unexplained adverse comment. In the context of an improving international situation which had raised many hopes, it would also be an unwise move to confront the world, and particularly the peoples of the under-developed countries, with nothing better than the prospect of inaction. Such inaction at this time would leave a gloomy picture in nearly every field: neither aid nor trade, an adverse balance of payments situation, the barrier of inconvertibility, the threat of a recession, a widening dollar gap, etc.

17. Accordingly, if it was thought essential to have a resolution with Parts A and B, and perhaps, also, additional sections corresponding to the remaining sub-headings of item 3, his delegation would be prepared to put forward the Yugoslav draft amendment (E/L.522) either as an amendment to or in substitution of Part B of the United States draft resolution.

18. Mr. UZCATEGUI RAMIREZ (Venezuela) held that a satisfactory solution to the problem of the economic development of under-developed countries was essential to the maintenance of social peace and prosperity in all countries. The Venezuelan delegation was not only concerned with the problems of its own country or

those of Latin America; it was also interested in the problems of all under-developed countries throughout the world; if reference was principally made to Venezuelan examples, it was because those examples were thought to be valid for other countries in the process of development.

19. It was generally agreed that the economic development of under-developed countries was one of the most important long-term economic problems before the United Nations, but to qualify the problem as "long-term" did not mean that it was impossible to hasten its solution. Such an intensification of the rhythm of development was of particular importance to Venezuela on account of the dominant position occupied by the petroleum industry in that country. The prosperity accompanying the rise of that industry had indeed enabled the country to embark upon its general economic development, with noteworthy results: in 1954, for example, the average citizen had been able to purchase 48 per cent more goods and services than before the war despite increase in the cost of living and the fact that there were more people to share the national income. The population had risen from 3,800,000 in 1941 to 5,000,000 in 1950.

20. A rise in population and the accompanying need for the constitution of capital investments represented a burden in the future. The under-developed countries would be unable to shoulder such a burden without a corresponding diversification of their national economies.

21. The attitude of the Venezuelan delegation was founded on two major principles: first, that the economic development of under-developed countries could not be brought about without full international co-operation, and secondly, that such co-operation was itself an essential factor in promoting an expansion of the world's economy. It was a historical fact that in the past every increase in the economic evolution of backward countries had been accompanied by an increase in the volume of international trade.

22. The progress registered in the field of economic development during the year 1952 had not been encouraging. One of several disquieting features had been the drop in raw materials prices, which pointed to the need to devise means of guaranteeing more stable returns for primary products and a more equitable reward for the producer's work. Any solution to the problem of falling commodity prices would have an immediate beneficial effect on the economic development of the under-developed countries, since the larger part of the domestic finance available for capital investments originated in foreign sales of basic commodities.

23. Venezuela itself had not suffered from the recent general downward trend in commodity prices, since the prices of the three staple products of its export trade, petroleum, coffee and cocoa, had not fluctuated to any appreciable extent. That fact did not detract from the dangers attendant on the dependence of under-developed countries on the income accruing from one or two crops or minerals. Another point of importance for the development of the under-developed countries was their need of foreign capital from private sources. The

Venezuelan delegation hoped that the Economic and Social Council's efforts in that direction would be reflected in realistic and constructive conclusions.

24. During its debate on the work of the Fiscal Commission, the Economic Committee had discussed the abolition of double taxation. Though it had not proved possible to achieve more concrete results, it was to be hoped that the seed sown in the Committee's debate had not fallen on stony ground, and that at some future date the principle of single taxation would come into its own.

25. Several members of the Council had enumerated various conditions that would favour the flow of investment capital to the under-developed countries. Although Venezuela was one of the countries where the influx of foreign capital had increased in recent years, the amount of investment remained comparatively small and inadequate when measured against the country's requirements, despite the fact that the three main conditions for the establishment of a favourable economic climate were fully satisfied. The first, security of investment, rested on a fifty-year tradition of respect for foreign interests; the second was the complete freedom to export the profits earned by such investments, and the third was the equality of foreign and indigenous capital under Venezuelan law.

26. Every country was obliged to sink a certain proportion of its national income in the purchase or renewal of capital equipment, but countries ought not to do so at the cost of reduced expenditure on social improvements and the well-being of the population. Venezuela had not relegated social progress to an inferior position on the list of priorities and had therefore devoted vast sums of money to such work. For example, \$170 million had been expended in the last four years on public health safeguards alone. Anti-tuberculosis dispensaries and clinics served over one-half of the urban and semi-urban population, while comparable protection was afforded to some 650,000 persons in rural areas. Malaria likewise had been practically eradicated, with only 224 deaths in 1952, although a few years before the disease had been a veritable scourge.

27. The United States representative had stressed the fact that the economic development of the under-developed countries should be financed mainly from domestic sources. That was undoubtedly true, and it should not be forgotten that the point had been made by the representative of a country which had contributed most generously to that development, especially in the field of technical assistance. It was a question of time. The Venezuelan delegation believed that the economic development of under-developed countries would inevitably take place sooner or later; the task that lay ahead was to increase the speed of evolution in the light of such significant facts as the growth of the world's population, since it was in the under-developed countries that the principal reserves of food and the greatest potential increases of agricultural production were to be found.

28. A vital element in accelerating the rate of development was the planning of economic development, to which reference had been made in the report of the

Economic Commission for Latin America (ECLA); the technical orientation of countries in the process of economic evolution was of importance to industrialized and backward countries alike. There was need to base development programmes upon a study of each area's possibilities, the practicability of integrating markets and the differing requirements of countries in each part of the world.

29. While he would admit that industries artificially created often proved in the event to be uneconomical and conducive to increased prices, he maintained that the fostering of industries capable of drawing on indigenous sources of raw materials and manpower was valuable not only intrinsically, but also as the first step in a chain of economic reactions. In a country like his own the manufacture of pig iron for export would make it possible to import more tractors, which in turn would permit of bigger land settlement schemes; a rise in rural population would bring about a growth in agricultural production for the benefit of more highly industrialized countries, and so on.

30. In planning economic development programmes there should be active collaboration by the regional Economic Commissions along the lines traced by ECLA. If the Commissions had adequate funds, they could advise interested governments, the advantage being that the Commissions could take due account of regional programmes with special reference to the question of integrating markets.

31. The Venezuelan Government had read with great interest the experts' report on the creation of a special United Nations fund for economic development, and pledged its full support, more especially because that idea had been unanimously endorsed by the Inter-American Economic and Social Council meeting recently held in Caracas. It also welcomed the idea of an international finance corporation, and would support the project, while reserving the final position of its delegation until details were published of the constitution and structure of the proposed corporation.

32. He also supported the proposals outlined in the ILO working paper on the role of labour in programmes for increasing productivity (E/2440). The Venezuelan delegation believed that enhanced productivity was to be found in a close association of the labour force, the technical personnel and capital.

33. The Venezuelan delegation would in due course state its position on the draft resolutions of India (E/L.534) and the United States (E/L.536 and Corr.1).

34. Mr. DIAZ-CASANUEVA (Observer for the Government of Chile), speaking at the invitation of the PRESIDENT, expressed his Government's concern at the turn taken by the Council's debate on the Special United Nations Fund for Economic Development, since his country's delegation had participated in the project from the beginning. He could hardly refrain from laying special emphasis on the aims of the Special Fund, which, in the light of a threatened deterioration in the world economic situation, was even more opportune than it had been when first proposed. Chile would examine the project in detail at the General Assembly.

35. Council resolution 416 A (XIV) setting up the Committee of nine experts contained the words "as soon as circumstances permit", which were now being used to subordinate the establishment of the Special Fund to the initiation of a disarmament programme. To do so was tautamount to shelving the project, since those members in a position to decide "when circumstances permitted" would be those in favour of further postponement. The question of opportuneness could be considered in two ways—the opportuneness of setting up the Special Fund and pledging contributions, and the opportuneness of the benefit that so many countries would derive from its creation. The time for its establishment was not merely ripe; it was overdue.

36. The under-developed countries were facing a serious situation, brought about by a complex of adverse factors such as the obstacles to international trade, the falling trend in raw materials prices which did not result in a decrease in the prices of imported goods, increased inflation, shortages of equipment for industrialization and the mechanization of agriculture, lack of investments, etc. International action was called for in the establishment of the Special Fund to finance basic undertakings for which funds had never been forthcoming.

37. By its action in fixing a low initial figure and not insisting on convertibility of contributions the Committee of nine experts had indirectly supported the early establishment of the Special Fund. It had regarded savings from reduced armaments expenditure as an additional, not the central, source of capital.

38. The great industrial countries were not being censured in any way. Even in the midst of rearmament against aggression they had granted assistance to countries that needed it. If the argument of opportuneness were carried to its logical conclusion, technical assistance and other co-operative international ventures would be suspended, and he felt sure that if the Special Fund had been set up before the period of international tension it would have been in full operation and would have been unanimously supported.

39. In emergency situations—floods and earthquakes—funds materialized out of thin air and international solidarity became an immediate reality. Moreover, economists in highly developed countries had pointed to the necessity of such a fund for balanced economic expansion. The project was not a vague hope of the poorer peoples, but a scheme planned on a scientific basis to meet the needs of the community of nations.

40. The proposed Special Fund would afford not only economic, but also moral and social assistance, and would thereby strengthen men's faith in the United Nations. It would link the fight against aggression with the fight against poverty, and renew confidence in the possibilities of international action. In the Special Fund the world would undertake to plan the use of resources, goods and services to remove the inequalities which existed between industrialized and backward countries. The nine experts had laid special stress on the international management of the Special Fund and the need for liaison with other organs of the United Nations and the Technical Assistance Administration (TAA). The granting of aid on the basis of the merits of specific plans and programmes would

signify a real democratization of the Special Fund, and would bring out its co-operative nature. It would be wrong to see in it an instrument of political intervention; the provision for convertibility of contributions according to national ability did not limit the Special Fund to the subsidies of a small group of countries.

41. The other essential characteristic of the Special Fund was the assignment of priority to non-self-liquidating projects for its grants or low-interest loans, thereby recognizing their productive character in the social sense. Those non-self-liquidating projects corresponded to the ideals of the United Nations in promoting hygiene, education, immigration, transport and power production, all of which contributed to the defence of human capital, a better diversification of economies and stability in the social and economic sphere.

42. There were many projects for rendering under-developed countries less vulnerable, such as agrarian reform, which could not be financed by private means. The rate of amortization of the Special Fund's loans should be slow, and terms of interest should be as favourable as possible, so that the service of the loans should not impose an undue burden on the economy of the debtor countries. Such terms should not be over-rigid, and should be conditioned chiefly by the ability of the borrower to pay.

43. The value of the Special Fund would be to provide aid on the basis of integrated plans of development, and in that context technical assistance would take on a new and logical justification. Priorities would be established to ensure that the works undertaken should reflect the aims of the United Nations in promoting mutually advantageous trade and increased food production, and other enterprises of a similar kind.

44. It was to be stressed that the Special Fund was intended to provide a complementary source of capital, and not to supplant private investments. Indeed, grants would only be made, in accordance with paragraph 81 of the report, when private funds were not forthcoming. There was no intention of stopping the flow of private capital, though it was clear from the ECLA report that capital investments had for some time been lagging behind profits.

45. There were signs of a new good will in the world, as was witnessed by the statement of the United States Secretary of State to the Senate Committee on Expenditures, promising to increase technical assistance, and the declaration of Mr. Milton Eisenhower on the availability of private capital. The United States employers' delegate to the International Labour Conference had also spoken of the existence of two billion dollars of investment capital every year. The under-developed countries had made efforts to favour a new wave of investments that recognized the right of States to dispose freely of their own resources. The working of the Special Fund, in setting up a basic industrial potential, would contribute to the creation of a favourable economic climate for private investments.

46. The Government of Chile realized that the governments of the under-developed countries needed to mobilize all their resources for the task of economic development; it did not ask for subsidies or unconditional

loans. Measures taken in recent months, such as the reform of the Central Bank and the money market, the removal of inflationary tendencies, the creation of a State Bank to utilize the savings accruing from development, and tax reform, gave the measure of the Government's determination to help itself as far as lay within its powers.

47. The Council should transmit the report of the Committee on the Special Fund to the General Assembly. The report should form the corner-stone of a vast programme that would not brook further delay.

48. Mr. ABDEL-RAZEK (Egypt) congratulated the Chilean representative on his statement and paid tribute to Mr. Hernán Santa Cruz, former President of the Economic and Social Council, who had been the first to put forward the idea of establishing a special fund for economic development. The delegations of Chile, Yugoslavia and Egypt had prepared a joint draft which had ultimately become General Assembly resolution 520 (VI). He hoped that the establishment of a special fund would justify the hopes placed by Mr. Santa Cruz and others in the constructive task of the United Nations.

49. Mr. LIU-CHANG-CHENG (World Federation of Trade Unions) speaking at the invitation of the PRESIDENT, said that in concentrating on the economic development of the under-developed countries with a view to raising the standard of living of the working masses there the Council was on the right road. The problem was one of world-wide importance. Time and time again delegations had expressed the view that the key to the problem lay in the flow of foreign capital into the under-developed countries. But the facts bore out the opinion expressed by the Costa Rican representative at the Assembly's seventh session that private investment had seldom really helped to improve the lot of the inhabitants of those countries. In Venezuela, for example, despite large-scale investment by the United States, and despite an increase in annual output per worker and a distinct rise in company profits, the real wages index had fallen from 140 to 133, and there were 125,000 unemployed. As José de Castro showed in his *Geography of Hunger*, before the era of the oil empire Venezuela had been able to satisfy her food requirements, whereas today the country was underfed. Similarly in Morocco, where very large amounts of American, French and other foreign capital had been invested, the profits of big firms had increased more than six times between 1947 and 1951, but according to the French *Conseil économique*, wages were not keeping pace with rising prices. A similar state of affairs prevailed in French Guinea, according to *Le Monde*, and also in Pakistan.

50. The economic under-development of so many countries was undoubtedly due to the fact that foreign monopolies controlled their economies. The working masses in those countries were fully aware that the constant deterioration of their working and social conditions and of their living standards was essentially attributable to the political and economic strangulation of their countries; and hence they were clearly entitled to express their views on economic development.

51. In its working paper prepared for the Council (E/2440), the ILO expressed the opinion that the under-development of certain countries was due to low productivity of the workers there. That opinion was widely held, but it would not bear serious examination, as could be seen from the concrete examples he had just quoted. The sole object of that argument was to induce the workers to agree to work harder. That was why in many countries the workers were resisting the productivity campaign.

52. The essential conditions for the development of those countries were respect for their national independence, for democratic liberties and for trade union rights, the suppression of foreign monopolies, and social reform.

53. The Chinese People's Republic was a concrete example illustrating the correctness of that thesis. As long as China was under foreign control her iron and steel and engineering industries had been practically non-existent, and while coal, vegetable oil and ore were exported, she had had to import cotton, tobacco, rice and wheat. The living conditions of the people had been completely wretched. Since the Chinese people had thrown off the foreign yoke, production in the main branches of industry had risen from two to ten times; grain production had increased by 40 per cent, mainly as a result of the land reform; the number of pupils in primary, secondary and higher schools had vastly increased; and in one year the number of hospital beds had increased by 38.5 per cent. Wages were from 60 to 120 per cent higher than in 1949; and, in addition, a workers' insurance law had relieved the worst anxieties of the workers and their families. The People's Republic

had further embarked on a plan for the progressive industrialization of the country.

54. Moreover, the World Federation of Trade Unions (WFTU) believed that the development of free trade relations between all countries, on a basis of equal rights and benefits, would promote the development of the under-developed countries and help nations to understand one another. As several representatives had pointed out, the maladjustment of trade balances and the instability of raw material prices were the result of the existing restrictions in international trade. For that reason both business circles and the workers were in many countries demanding the expansion of international trade relations in order to solve the problems of financing economic development. In that connexion, the announcement by the Soviet Union representative that his Government would contribute 4 million roubles to the Technical Assistance Programme was of very great significance.

55. In conclusion, WFTU recommended the establishment of free and normal trade relations between all countries, the adoption and implementation of long-term development programmes, social reforms, in particular land reform, and measures designed to raise the standard of living forthwith.

56. Such a programme could be put into effect immediately, provided that the under-developed countries enjoyed full national and economic independence and that the war was brought to an end. WFTU, in the name of its 80 million members, was directing all its efforts to that end.

The meeting rose at 1.5 p.m.