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*President*: Mr. Daniel COSÍO VILLEGAS (Mexico)

*Present*:

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Netherlands, New Zealand, Pakistan, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Observers for the following Member States: Austria, Brazil, Canada, Czechoslovakia, Ecuador, Ghana, Hungary, India, Israel, Italy, Japan, Peru, Romania, Yugoslavia.

The observer for the following non-member State:  
Holy See.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, World Health Organization.

## AGENDA ITEM 5

Economic development of under-developed countries (E/3249, E/3258 and Corr.1 and Add.1-2, E/3259, E/3267 and Add.1, E/3272, E/3273; E/L.839, E/L.840)  
(continued)

1. Mr. SOLODOVNIKOV (Union of Soviet Socialist Republics) said that the economic development of the under-developed countries was one of the most important tasks facing the world. The Soviet delegation was pleased to note the achievements of some under-developed countries in their economic development in recent years, but was concerned about certain trends which had manifested themselves in 1958, when industrial and other forms of production had fallen in a number of such countries. The balance-of-payments situation in the majority had deteriorated, gold and currency reserves were dangerously depleted, inflation had risen sharply and unemployment had increased. The foreign trade position, particularly of countries depending primarily on commodity exports, had been extremely discouraging. Whereas in 1955, 1956 and 1957 there had been an increase in under-developed countries' foreign trade of 9 per cent, 6 per cent and 3 per cent respectively over each previous year, in 1958 their exports had decreased for the first time since 1952. Their position was made worse by the great variations in commodity prices.

2. The development of a world market should undoubtedly be an object of international economic co-operation. Stabilization of prices and the conclusion of long-term trade agreements would reduce the currency and financial difficulties of under-developed countries, thereby furthering their economic development and improving their standard of living.

3. The Soviet Union based its trade with foreign countries on the principle of mutual respect of each other's interests, and did not take advantage of the economic difficulties of the under-developed countries to secure more favourable terms. From 1953 to 1957, trade between the Soviet Union and the under-developed countries had increased more than five times, and in 1958, when the commodity market had been in a difficult position due to the recession, the Soviet Union had played an important part in stabilizing it. The foreign trade of the socialist countries was based on sound economic planning which precluded sudden crises. The prospects for trade between the Soviet Union and the under-developed countries in the period 1959-1965 were extremely favourable. In addition, the Soviet Union, which already granted the under-developed countries easy-term credits for developing their industries, would be providing them with further economic and technical assistance. In doing so, the Soviet Union realized that the distressingly low level of per caput income in those countries was due to their low level of industrial and agricultural production, and was guided by the belief that their future depended on their rapid industrialization.

4. His delegation welcomed the contacts that had been established between experts of various countries in different industrial and scientific fields. Such exchanges could only be of mutual benefit. The Soviet Union, which believed that the economic progress of a country depended on its introducing the newest scientific techniques in its various fields of production, was ready to promote co-operation actively through the exchange of scientific and technical information.

5. The main purpose of the Secretariat's study entitled *The International Flow of Private Capital, 1956-58* (E/3249) had been to assess the real effect of private capital invested in the under-developed countries. Although the study contained much valuable information, it tended to give a false picture of the situation in that it largely failed to assess the income dividends derived from investments of private capital in foreign countries. Thus, the impression was created that the industrial countries exported capital for no returns. In fact, considerable dissatisfaction had been created in under-developed countries by the excessive returns required by foreign private capital. Moreover, it was well known that private

capital was invested where the interest was highest, not where the need was greatest. There was no doubt that government credits on fair terms provided a much more satisfactory form of capital assistance, and the Council should do all it could to encourage such credits. Another defect in the study was that no distinction was made between new investments and re-investment. He hoped that that distinction would be brought out in future studies, since it would lead to a more precise assessment of the situation. The present study, however, despite its shortcomings, was a helpful source of information; and the Soviet delegation was quite prepared to take note of it. He observed that any surveys carried out pursuant to resolution 662 A (XXIV) of the Council should be confined to the collection of information on genuine "international economic assistance". In general, he was sure that the Council would be able to work out programmes which would assist the under-developed countries in their economic development.

6. Mr. CHENG PAONAN (China) said that, in discussing the economic development of the under-developed countries, the Council had in previous years had two focal points for its deliberations: the International Finance Corporation and the Special United Nations Fund for Economic Development. Because of recent events those two topics were no longer discussed under economic development, and the Council should endeavour to find new focal points for its discussions if they were not to get out of hand.

7. The most important factor in economic development was undoubtedly industrialization, in which a vital element was foreign private capital. He suggested that the subject of foreign private capital be selected as the new focal point during the next few years for the Council's discussions on economic development.

8. Foreign capital might take three forms: international, intergovernmental and private. According to the secretariat study, the flow of long-term private capital to the low-income, under-developed countries had averaged \$2,000 million a year from 1955 to 1958. In the same period, International Bank for Reconstruction and Development (Bank) loans to the same countries had averaged about \$200 million a year. Government aid to the under-developed countries had been considerably larger than new investment by private investors; but if the new investment and the reinvested profits were taken together, the total contribution of private investors was about equal to that of governments. Those facts indicated the importance of private capital in the development of the under-developed countries.

9. There were, however, some unsatisfactory features about the existing state of private capital investment. An inadequate amount had been invested in manufacturing industries, which the under-developed countries were particularly anxious to develop, and very little had been invested in Asia and the Far East, where the need for it was greatest. In order to improve the situation, the General Assembly, in resolution 1318 (XIII), had stressed the need for increased knowledge and better understanding of the conditions of and opportunities for international private investment. The Secretary-General had been requested to ascertain the needs of the

under-developed countries for foreign private capital and the types of project in which private foreign investors might be interested. Apart from those inquiries, the Secretariat was preparing triennial reports on the international flow of private capital, and would no doubt be asked from time to time to make other studies on the subject.

10. It was important that such studies and inquiries should centre on a single objective and be translated into practical policy. There was therefore much to be said for the drafting of an investment charter. Unfortunately many governments did not wish to be bound by such a charter, and in view of their objections he suggested that the Council should attempt to draw up a model agreement for international loans and a model investment law, intended not to be obligatory but simply to serve as reference material for the capital-importing countries. Several of those countries had already drawn up their own investment laws, which, together with the views of foreign investors, could be taken into account in drafting the model investment law. A new model loan agreement would be useful, since portfolio investments, which had declined gradually after 1930, when they had been the major form of international investment, had of late regained momentum. Since a model loan agreement had been drafted by the League of Nations,<sup>1</sup> it would only need minor amendments in the light of existing knowledge and current views on the subject.

11. Mr. ENCKELL (Finland) said that the Council had been wise to devote so much of its time to the economic development of under-developed countries, since the problem was a vast one. It could nevertheless be faced with the comforting realization that never before had man possessed so many scientific and technical means of dealing with it. There was in addition a new and effective realization of the interdependence of nations and of the great opportunities for economic progress.

12. His delegation welcomed the extensive discussions which had taken place within the different United Nations bodies and specialized agencies, and the clear indications of concerted action that had emerged. It recognized the value of the Secretariat's research, and noted that international research was steadily increasing in scope and importance.

13. There were a few indispensable conditions for world-wide economic progress, the most important of which was that countries should feel themselves secure from war and from violent political changes. Political instability did not favour harmonious economic development, and long-range economic programmes could not be carried out in an atmosphere of international insecurity.

14. It would be useful for the Secretariat to consider ways and means of disseminating more information on economic development. There was a large, and possibly widening, gap between the work of the international organizations in that field and public knowledge of what was being done. The international organizations

<sup>1</sup> Series of League of Nations publications, 1939.II.A.10, annex 4

needed all the support they could get and, in particular, economic development of the under-developed countries was a subject with which the entire world should be made familiar.

15. Mr. OMAR (Afghanistan) said that, in sponsoring measures to stimulate economic and social progress, the nations of the world were admitting that economic prosperity could not be confined to one area alone and that poverty anywhere was an obstacle to general progress. The under-developed countries had abandoned their former resignation to misery in the realization that economic development was within the reach of all. Although they were doing their utmost to meet their needs from their own resources, those resources were meagre and, when an increase in national production did occur, it was either not sustained or else rapidly off-set by a rise in population. The rate of growth of under-developed countries needed to be accelerated, a process that required greater investment in both physical and human capital. It was gratifying to note from the documents before the Council that the nations of the world were mobilizing their resources in such a way as to promote sound programmes for the elimination of poverty and disease everywhere.

16. His delegation welcomed the technical assistance programmes of the United Nations and of some of the more advanced countries. Both United Nations and bilateral technical assistance programmes formed integral parts of Afghanistan's national plan. Nevertheless, the needs of the under-developed countries were so immense and so varied that the technical assistance so far rendered constituted only a small proportion of what was actually required. The future success of technical assistance depended on long-range planning, increased budgetary appropriations and the raising of contributions considerably above the existing level.

17. The increasing international flow of private capital was an encouraging sign, although the rate of its distribution was uneven, a fact that in some areas caused considerable anxiety. Capital-importing countries, such as Afghanistan, had provided greater facilities as an incentive to foreign investors. Investment laws had been amended to simplify the procedures for foreign investment and to guarantee the transfer of capital and profits. Additional facilities had also been provided, such as separate guarantee agreements with different countries, a few years' exemption from income tax, higher depreciation allowances, exemption from customs duties on capital goods and adjustment of losses over a period of years. However, despite those facilities and the efforts of some developed countries such as the United States, the flow of investment was mostly concentrated in developed countries or in oil-producing areas and was negligible or even non-existent in some under-developed countries such as Afghanistan, where the need for it was greatest. Further efforts and co-operation were clearly necessary. The taxation of incomes derived from investment abroad required reconsideration and the conclusion of double-taxation agreements on a world-wide basis was highly desirable. He welcomed the fact that some developed countries were considering further measures to stimulate the flow of capital and

that Canada, Australia and western Europe were becoming steady suppliers of capital.

18. The Bank had registered a steady growth in its activities from year to year, but its loan policies were still very restricted. The Special Fund, which had been established partly in order to supplement the activities of the Bank, would have to act vigorously in the next decade if it were to serve its purpose. The \$26 million so far available to it was quite inadequate. The success of the Fund depended not only on the timeliness and size of the contributions of governments and non-governmental organizations, but also on the criteria employed for allocating its resources. Flexibility in that respect was of the utmost importance.

19. In the field of bilateral assistance, government loans and grants programmes had become a significant factor in initiating development in under-developed countries. The United States Development Loan Fund had already proved its value, and the same could in general be said of the United States Agriculture Disposal Scheme under Public Law 480, which served the treble purpose of supplying the necessary goods in time of serious national crisis, providing local currency for economic development and preventing inflationary pressures. The United States scheme for introducing community water supplies to provide pure drinking water and to attack water-borne diseases would also be greatly appreciated in the under-developed areas. The Soviet Union's bilateral contributions for surveys of natural resources and the development of national industries had been growing rapidly. The soft loan principle was also of assistance to under-developed countries which could not afford to pay more than a minimum rate of interest in soft currency over a long period of time, but the problem of transfer when payments fell due still existed. The loan practices of the Soviet Union, under which it was stipulated that loans might be repayable in goods or in a currency to be agreed upon, were a clear recognition of the underlying economic principles. In general, the administrative and clearance methods of bilateral aid were too rigid. There was frequently a long time-lag between the making of commitments and the approval of projects on the one hand, and the implementation of programmes on the other, which led to considerable economic losses and waste of resources. Not only the size and means of assistance were important, but also the methods used and their timeliness.

20. Many under-developed countries which depended to a considerable extent on foreign assistance were frequently uncertain whether it would be forthcoming. He supported a Canadian view that it would be useful to provide advance indications of the probable amount and form of countries' contributions towards economic assistance so as to enable under-developed countries to make use of the information in their economic planning.

21. In Afghanistan, during each of the first three years of the five-year plan, 70 per cent of the objectives had been reached. The plan was mainly directed towards the development of basic facilities, the diversification of agriculture, the utilization of untapped resources and

industrial expansion. Although it relied largely on internal resources and the determination of the people, it had been greatly helped by external assistance. Since 1950 the United Nations and the specialized agencies had sent 250 experts from thirty-five countries, and 170 Afghans had been sent to study in thirty countries. In 1958 the United Nations' contribution had amounted to over \$700,000, and the counterpart funds in local and foreign currency had amounted to about the same figure.

22. The United States was providing Afghanistan with financial and technical assistance through the International Co-operation Administration programme and by means of loans and grants for various development projects. Financial and technical assistance from the Soviet Union had covered eleven projects, most of which were already under consideration and a few of which were near completion. Other assistance had been received from the Federal Republic of Germany and Czechoslovakia. He expressed Afghanistan's gratitude to those four countries.

23. In general, Afghanistan, like all other under-developed countries, was faced with an enormous task and difficulties which it had not the means to overcome. Its chief difficulties were lack of capital, insufficient data, inadequate surveys, a small volume of exports and a weak administrative structure, and the whole picture was complicated by population pressure and foreign-trade problems. The inadequacy of the external assistance that the under-developed countries were receiving was brought out by the fact that total annual assistance contributions represented \$5 per caput for the contributing countries and \$2 for the receiving countries. In addition, the distribution of the assistance was uneven. Countries with a per caput income of less than \$100 received less per caput assistance than countries with higher per caput incomes.

24. The 1,500 million human beings in the under-developed countries still suffered from hunger, poverty, lack of housing, disease and illiteracy. The whole situation became graver as populations continued to increase faster than production; and there was the constant anxiety that technological advances might widen the gap between developed and under-developed countries instead of closing it. Unless there were large-scale international action, the present distressing conditions in the under-developed countries might lead to catastrophe.

25. The Council, which had been entrusted with great moral and economic responsibilities, should endeavour to become a more dynamic instrument for the achievement of world prosperity. The scheme suggested by the Netherlands (E/3258, part II, section 7) deserved serious consideration. Targets must be defined so that proper and timely action could be taken. Bilateral and multilateral aid would have to be increased, and Afghanistan, together with Mexico, Netherlands and Sudan, had tabled a draft resolution (E/L.839) along those lines.

26. The Managing Director of the Special Fund had stated that a further annual \$6,000 million of external aid was needed for diversification and development in the under-developed countries (1081st meeting). The Council should explore the possibility of setting up a

United Nations development fund to finance infrastructure. Although the assistance needed for the under-developed countries was large, it was not greater than the available physical and economic resources, especially when account was taken of the enormous amount of money wasted on armaments.

27. The Council, with the co-operation of all the Member States of the United Nations, should make a vigorous effort to increase assistance and disseminate technical knowledge, and in particular take concrete measures for stabilizing commodity markets, assisting under-developed countries in their national planning, reducing tariffs and eliminating trade barriers. He believed that the Council would be able to achieve those objectives.

28. Mr. MICHALOWSKI (Poland) said that the particular attention paid by the Council at its current and previous sessions to the problem of the economic development of under-developed countries was fully justified. The *World Economic Survey, 1958* (E/3244) stated that even with the best and wisest of national policies progress was bound to be disappointingly slow in the absence of adequate support from the entire world community. The gap between the standards of living of the highly industrialized and the under-developed countries noted in the *Survey* for 1956<sup>2</sup> had continued to widen. The current *Survey* rightly pointed out that assistance to the under-developed countries at the annual rate of \$2 per head of population was insufficient to bring about any decisive change in their economic development. It agreed that even the largest measure of outside help could be no more than a supplement, however necessary, to the internal economic policy of recipient countries. Their economic development depended on a continuing and systematic implementation of the policy of growth, which had been rightly stressed in the report of the Advisory Committee on the Work Programme on Industrialization.<sup>3</sup> However, he did not agree with the view of some experts that internal policy together with outside help would suffice to solve the problem. An adequate volume of exports from under-developed countries was also required.

29. During the previous twenty years the value in current prices of the imports of the fourteen most highly industrialized countries — the principal market for the under-developed countries — had increased by 3.3 times. The increase in volume was not so large and was substantially accounted for by imports from other industrialized countries. A further substantial increase — from \$195 million in 1938 to \$3,800 million in 1956 — was accounted for by imports from oil-producing countries. Since those had a population of only thirty million as compared with the 1,300 million of all the under-developed countries, that increase was negligible. Moreover, the highly industrialized countries had expanded their economies without any considerable increase in imports. The *Economic Survey of Europe in 1958* (E/CE/345) showed that between 1948 and 1957 eleven

<sup>2</sup> United Nations publication, Sales No.: 1957.II.C.1.

<sup>3</sup> *Official Records of the Economic and Social Council, Twenty-seventh Session, Annexes*, agenda item 5, document E/3213 and Add.1 and 2.

highly developed western European countries had increased their exports 2.5 times and their imports only 1.9 times. While general exports from the capitalist countries had increased by 70 per cent between 1937 and 1957 and exports from the highly industrialized countries by 104.5 per cent, exports from under-developed countries had risen by only 35 per cent. If the exports from oil-producing countries were excluded, the figure for the rest of the under-developed countries was a mere 18 per cent, and exports from some Latin American countries had even decreased.

30. He was therefore in complete agreement with the statement in the analytical summary of various suggested means for accelerating economic growth in less developed countries through international action (E/3259, para. 15) that the expansion of international trade was the major method of assisting the economic development of under-developed countries. The international machinery for trade promotion mentioned in the succeeding paragraphs had not succeeded in solving the problem. Among suggestions for broader international co-operation in international trade, those put forward by the USSR, the most important of which were grouped in paragraph 20 of the analytical summary, had unfortunately not been adopted or even seriously discussed.

31. Many speakers had drawn attention to the urgent problem of diversifying and stabilizing exports with a view to increasing the earnings of the under-developed countries. The structure of export trade was directly reflected by that of the national economy, and was therefore intimately related to the problem of industrialization. The share of the under-developed countries in world industrial production had fallen from 5 per cent to 4.2 per cent in the last thirty years. Furthermore, while the population of the industrialized capitalist countries had increased by 27 per cent and the population of the socialist countries by 33 per cent in those years, the population of the under-developed countries had risen by 38 per cent. Between 1950 and 1975 the population of Africa, Asia and Latin America would increase by more than 60 per cent, or nearly twice as rapidly as the population of Europe and North America. Consequently the future situation in respect of industrial production per head of population would be even more unfavourable for the under-developed countries.

32. Nobody denied the necessity of industrialization for rapid economic development. Useful research was being carried out by the Advisory Committee on the Work Programme of Industrialization. In Council resolution 709 A (XXVII) the Secretary-General had been asked to prepare proposals concerning future work on industrialization. The Polish delegation considered that a study of oil industrialization should be included in the research programme. United Nations research in that field could yield rapid and effective results because of the relatively high investments it attracted. The United Nations should disseminate and apply the information already accumulated.

33. With regard to the problems considered in the *International Flow of Private Capital*, he said that the private investor often had completely different aims from governmental bodies planning economic develop-

ment. Private capital was attracted principally to investments which guaranteed the most rapid and greatest profit. Table 3 of the study showed that United States private capital investment in the under-developed countries in 1953 had been 54.3 per cent of the gross outflow of private long-term capital from the United States of America, and had fallen to 40 per cent in 1958. It also showed that in 1958 United States investors had invested more capital in Canada alone than in all under-developed countries taken together. Table 10 showed that in 1957 nearly 60 per cent of United States private capital invested in Latin America had been placed in the oil industry. Such one-sided investment had nothing in common with the diversification of economies or with the over-all economic development of particular countries. The conclusion to be drawn from such data was that the importance of the movement of private capital had been overestimated in the United Nations and some experts had based unrealistic hopes upon it. The Polish delegation advocated government-controlled multilateral and bilateral economic assistance as the best way to ensure a rational use of resources for developing the essential bases of the national economy.

34. His delegation considered that the most valuable contribution to the current debate had been the reiterated expression of the will to act, to make a concerted international effort within the United Nations to break down the traditional division of the world into rich and poor. He had noted that spirit in the statements by the representatives of Mexico and the Sudan (1085th meeting). The United States representative had also stressed the immense tasks presented by the problem of economic development. The problem could not be solved by the free play of economic forces or the uncontrolled movement of private capital. The French representative had rightly pointed out at the same meeting that private capital was, by its very nature, not eager to flow to unknown countries, and that when it did so it was attracted to branches of the economy which guaranteed the highest profit.

35. His delegation would support the draft resolution submitted jointly by Chile, Costa Rica, Mexico and Venezuela (E/L.840), but did not think that the text of draft resolution E/L.839 adequately reflected the course taken by the discussion in the Council. Any resolution adopted should mobilize Member States for vigorous action on behalf of the under-developed countries. Previous resolutions had been much more satisfactory in that respect. If the sponsors of draft resolution E/L.839 would agree to revise it so as to bring it more closely into line with the Council's discussions, his delegation would gladly assist them in that work.

36. Mr. KAMENOV (Bulgaria) said that the division of the world into developed and under-developed countries and the fact that more than half of the population of the globe lacked the means for a decent life constituted perhaps the most crucial problem of the day. Apart from humanitarian, political and other reasons, there was an imperative economic argument why the Council and the international bodies should concern themselves with the fate of those countries. At that

stage of economic development, which was marked by a close economic link between all nations, the growth of the productive forces of the under-developed countries was of interest to the world as a whole.

37. With regard to the problems considered in *The International Flow of Private Capital*, his government's position was clear, because his country neither imported nor exported private capital. The following conclusions might be drawn from that document. First, much more private capital was exported to advanced than to under-developed countries. In 1957 more than one-third of the total amount directly invested by the United States abroad had been placed in Canada, and almost one-sixth in western Europe. Secondly, the actual value of foreign capital investment in under-developed countries was less than it might appear at first sight, because foreign companies largely exported the substantial profits they made in the under-developed countries. Thirdly, foreign private capital placed in under-developed countries went chiefly to those with natural resources, more particularly oil and non-ferrous metals, whereas the poorest countries in Asia and Africa were still receiving only a small amount of private capital. To meet that situation, efforts such as the symposium on the development of petroleum resources of Asia and the Far East organized in 1958 at New Delhi under the auspices of the Economic Commission for Asia and the Far East and referred to in the Commission's report (E/3214, paras. 26-35) were very valuable. It was important that less developed countries with oil resources should make every effort to use them for industry. The analytical summary (E/3259) was a remarkable study of the means suggested in the Council, the General Assembly and its committees, regional commissions and other United Nations bodies to accelerate economic growth in less developed countries. A careful scrutiny of all the proposed means had resulted in suggestions which could be used by the Council and the General Assembly in their search for means to accelerate the economic development of the under-developed countries. On reading the study, his delegation had been impressed with the strength of the blow dealt to the economy of under-developed countries by the fall in commodity prices. One by one the representatives of the vitally affected countries had expressed their concern, in particular the representative of Chile and the Minister of Finance of the Mali Federation (1085th meeting). Similarly, the *World Economic Survey*, 1958, supplied figures and other data showing that the fall in those prices was no less than a disaster for the under-developed countries. The General Assembly's attention should be called to the need to take urgent international action to improve the conditions in which insufficiently developed countries could trade with other countries.

38. The economic progress of the under-developed countries was closely linked to the problem of their industrialization. The creation of industries, more particularly of heavy industries, the development of full employment, and the utilization of the available labour potential were indispensable conditions of economic development. Those were by no means simple matters. Their solution required, as the representative of France

had pointed out, the training of high-level technical personnel in each country. The problems raised by the financing of the economic development of under-developed countries were extremely complex. They had received due attention in the analytical summary and were the subject of draft resolution E/L.840.

39. Mr. SMITH (World Federation of United Nations Associations), speaking at the invitation of the President, said that the WFUNA had adopted at its thirteenth plenary assembly a resolution stressing that all aspects of economic development required attention. All countries, regardless of their political philosophy, had a common responsibility to accelerate general economic and social progress. The resolution called for the acceptance by all peoples of priorities for that common goal as an indispensable condition for lasting peace. It also called for measures through the United Nations and the specialized agencies whereby governments should jointly and severally take steps to sustain and expand world trade and to increase the flow of public and private capital to the less developed countries.

40. The Federation further believed that international-aid programmes should aim at strengthening the recipient countries and making them economically independent. Such aid should not only be timely, adequate and continuous, but should be accompanied by sound planning and efficient implementation in the recipient countries. Even more important than the provision of assistance was the need to stabilize the trade of the less developed countries. To that end, WFUNA favoured the establishment within the United Nations of a specialized agency for trade.

41. Although the Bank had in recent years increasingly encouraged private investment, further growth required both international investment insurance and an international investment code. The Bank should use its powers to guarantee loans made by private investors. The Federation had also recommended the establishment of an international development association under the authority of the Bank, which would be empowered to borrow from governments and others, and to make long-term low-interest loans for the general purposes of over-all development programmes.

42. The Federation had asked for a continued growth of the Expanded Programme of Technical Assistance, which would place greater emphasis on increasing facilities for administrative and technological education. Since the capacity of a country to absorb large-scale economic assistance was largely determined by its administrative arrangements, WFUNA had called for the establishment of an international administrative service. He welcomed the fact that such a service had now been established.

43. He believed that the Special Fund would open new avenues for investment by governments and private investors, and hoped that it would receive adequate resources.

44. With regard to the long-term commodity problem, WFUNA believed that it was necessary to negotiate international agreements through international buffer stocks and other methods. The resolution adopted by

the plenary assembly called for an increase in the resources and functions of the International Monetary Fund (IMF) to enable it to give greater assistance in financing world trade by developing banking and clearing-house facilities similar to those of the European Payments Union. He had noted with interest that the Board of Governors of IMF had recommended a general increase of 50 per cent in quotas, with larger increases for some countries (E/3259, para. 53).

45. With regard to studies and consultations concerning international economic problems, WFUNA favoured closer regional co-operation and a more prominent role for the regional economic commissions, but did not exclude study of the possibility of an international economic conference under the aegis of the United Nations.

46. Mr. EZEKIEL (Food and Agriculture Organization of the United Nations) emphasized the need for a proper balance between industry and agriculture in economic development. Industrial expansion was needed in order to diversify economies, increase per caput output, make possible the transfer of population from the land to other activities and provide improved services in administration, transport, education, social services and entertainment. There was, however, a tendency to neglect the part which agriculture could play in such development. Although to a less extent than in industry, there was a certain elasticity in demand for agricultural products. The promotion of agriculture deserved attention because in almost all the under-developed countries one-half, and in some cases even three-quarters, of the population were engaged in agriculture. For a modest capital outlay it was possible to increase output considerably by introducing modern technical methods. Moreover, population growth was often too rapid to be absorbed by industrial expansion. There was also a danger of inflation if agricultural production did not increase in proportion to expanding purchasing power and industrial demand in countries undergoing industrialization. Some countries had already had to transfer resources from the industrial to the agricultural sector in order to remedy inflation. Lastly, the only means many countries had of expanding their export trade was to sell more agricultural produce. There was a consequent need to increase agricultural production, both for that purpose and to continue to meet domestic demand.

47. For those reasons FAO devoted much effort to helping under-developed countries to promote agricultural development in step with industrial expansion. Although FAO had no money to lend those countries, it was assisting them to improve their agricultural credit institutions and to plan means for co-ordinating the use of agricultural surpluses for economic development. It was also co-operating with the Bank and other financial bodies by helping them to staff their economic study missions.

48. He welcomed the establishment of the Special Fund, but hoped that the Council would not forget that the Expanded Programme was responsible for a very broad field of technical assistance and that it would be necessary to continue to increase its funds.

49. Mr. L'HUILLIER (International Chamber of Commerce), speaking at the invitation of the President, dealt with means of attracting private capital to under-developed countries. Such capital had the dual advantage of being accompanied by technical services and having no political strings attached to it. With regard to the guarantees that should be given to private capital, ICC had published in 1949 an "International Code of Fair Treatment for Foreign Investments", which had been reproduced in pamphlet No. 200 of March 1959 (E/C.2/531) and had attracted much attention in United Nations circles. Other public and private bodies had recently made similar studies and produced their own proposed codes. His own organization was glad to note that the new proposals differed little on basic questions, and that all stressed the need for arbitration machinery. His organization considered it desirable that countries in process of development should state clearly what commitments they were prepared to undertake in order to encourage the flow of private capital and what commitments they would like the countries supplying the capital to undertake. While certain countries had passed legislation removing obstacles to the participation of foreign capital in local economic development, administrative practices continued to discourage it in certain cases, and the ICC welcomed the establishment by certain governments of a central bureau for examining proposals from foreign undertakings, any of which could submit an application that would be followed at all stages by one official appointed to represent them and to act as their respondent with the other government departments.

50. Measures adopted by certain receiving governments to ease taxation on foreign capital were sometimes thwarted by the taxation laws of the countries providing the capital. It was ICC's hope that such countries would take the necessary steps to avoid neutralizing through their own taxation systems the measures adopted by the under-developed countries to attract foreign capital by means of moderate taxation. The question had been very thoroughly examined by ICC in its pamphlet No. 197 of March 1959 (E/C.2/527). Measures designed to confer certain fiscal privileges on foreign undertakings had laudable intentions, such privileges were more likely to attract short-term speculative capital than capital provided by undertakings that had decided on long-term participation in the country's economic development. The above-mentioned pamphlet gave in tabular form a comparative description of those privileges in fifty-five countries. In the opinion of ICC, the interests of the countries in process of development would be better served by the permanent application of a moderate rate of taxation and of liberal rules for the computation of taxable profits.

51. On the commodities question, he stressed the importance of adequate statistics to economic development and world economy in general. He praised the work done by the United Nations Statistical Commission and Statistical Bureau, and by various specialized agencies, but felt that much still remained to be done, particularly in studying short-term trends in consumption, stocks and prices, and in improving the comparability of international commodity-trade statistics.

52. In a resolution adopted at its Washington congress, ICC had appealed to undertakings that either produced or consumed primary commodities to co-operate in the statistical activities of the competent bodies and had expressed the hope that the fullest possible use would be made of the standard international trade classification, and that improvements to the commodity statistics should

be given priority in technical assistance programmes. In accordance with a recommendation by the United Nations Statistical Commission, it had requested the publication of a revised bibliography of available statistical data.

The meeting rose at 12.50 p.m.