



CONTENTS

	Page
Agenda item 5:	
Economic development of under-developed countries	
(continued)	147
Agenda item 2:	
World economic situation (concluded):	
(a) Survey of the world economic situation;	
(c) General Assembly requests pertaining to international co-operation in economic fields (resumed from the 1073rd meeting and concluded)	
Report of the Economic Committee	154

President : Mr. Daniel COSÍO VILLEGAS (Mexico)

Present :

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Mexico, 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: Australia, Austria, Brazil, Canada, Czechoslovakia, Ghana, Hungary, India, Ireland, Italy, Japan, Peru, Philippines, Yugoslavia.

Observers for the following non-member States: Holy See, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, International Bank for Reconstruction and Development.

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. Miss KAHN (World Federation of Trade Unions), speaking at the invitation of the President, felt that the debate on the economic development of the under-developed countries had been facilitated by the discussion of several other items of the Council's agenda which had preceded it. During the discussion of international commodity problems in the Economic Committee, representatives of under-developed countries had indicated that their governments had had to curtail their economic and social programmes because of adverse developments in the terms of trade. In the debate on the world social situation the Venezuelan representative had referred to the measures taken by his government to prevent the inequitable exploitation of national resources

by foreign corporations (1080th meeting). In the discussion of the report of the Governing Council of the Special Fund, the Managing Director had called for a very substantial increase in development investment resources in the coming decade and had pointed out that at least \$75,000 million of the \$135,000 million required would have to come from domestic capital formation, and the remainder from outside sources (1081st meeting).

2. As an organization with a large membership in the under-developed countries, the World Federation of Trade Unions (WFTU) had long been concerned with the need for developing and exploiting national resources in the interests of the people of those countries. Such a programme required that they should have access to markets and opportunities to develop processing industries as a means of obtaining the revenues necessary for industrialization and diversification. Yet, as the Secretary-General had repeatedly pointed out, fluctuations in commodity prices had often nullified the inflow of capital financing. Her organization agreed with the Secretary-General that there was a widespread feeling in the under-developed countries of the need for some new break-through on the road to economic development and welcomed his statement that it was time to reconsider the decision which had led the United Nations to make the expansion of aid to under-developed countries contingent upon internationally organized and controlled disarmament (1068th meeting). The Council's decision of 1953 (resolution 482 A II (XVI)) had clearly outlived any utility it might once have had. In the intervening years, the less developed countries had suffered the consequences of commodity speculation and the impact of the recession in the western industrialized countries.

3. The most crying need remained the establishment of an international global development fund of the kind described in the experts' first proposal for a Special United Nations Fund for Economic Development (SUNFED).¹ While the Special Fund established in its place would enable the United Nations to expand many of its development activities, it would not satisfy that need. The issues raised during the campaign for the creation of SUNFED had implications far beyond the projected monetary size of the fund, which would have been minute in comparison with existing bilateral and multilateral aid programmes. SUNFED would have provided access, in the financing of non-self-liquidating projects, to funds of an international character, available solely on merit and without regard to political commitments of any kind. At the Fourth Congress of WFTU, in October 1957, a resolution had been adopted supporting the desire of the newly independent countries to

¹ See *Report on a Special United Nations Fund for Economic Development* (United Nations publication, Sales No.: 1953.II.B.)1.

receive economic aid "without any political strings from all the advanced industrialized countries, capitalist and socialist, and to conduct trade with all countries without discrimination".

4. The replies of under-developed countries to the inquiry under General Assembly resolution 1316 (XIII) (see E/3258 and Corr.1 and Add. 1-2) indicated the high priority most of them placed upon economic planning. In various United Nations bodies and in many documents, those countries had repeatedly set forth their need for stable, open world markets and long-term contracts, for expanded world trade needed to enable them to earn revenues for development programmes, for co-operative exploitation of national resources in the national interest, for direct economic assistance in the form of long-term, low-interest loans of a public and preferably international character, and for private foreign investment which would accept the jurisdiction of national law and be mutually beneficial to the country of investment and the investor.

5. Yet the record showed that those objectives were far from being realized. The documents of the regional economic commissions were replete with examples of the problems encountered by the under-developed countries. The decision taken by the Economic Commission for Asia and the Far East to convene the first session of the Conference of Asian (Economic) Planners in 1961 (E/3214, paras. 272-274) was welcomed by WFTU, which considered that the convening of a similar conference in Africa, under the auspices of the Economic Commission for Africa, would be equally valuable.

6. In that connexion it was to be regretted that the analytical summary of suggested means of accelerating economic growth in less developed countries through international action (E/3259) reflected the continuing tendency to treat certain aspects of development outside the context of planning and economic integration. The Council's discussion of the world social situation had demonstrated anew that the pursuance of economic programmes in a vacuum, without constant evaluation of their over-all social impact, might lead to the deterioration rather than the improvement of levels of living.

7. Her organization shared the concern expressed by a number of representatives in the debate on the world economic situation that such institutions as the European Common Market might adversely affect the economic development of countries now trading with the Common Market countries. It was also concerned that the operations of the Common Market might perpetuate the economic dependence of non-metropolitan territories which had been included in the Common Market.

8. Mr. SHANAHAN (New Zealand) said that over the years serious efforts to find methods of accelerating economic development acceptable to both developed and under-developed countries had been made by the Council and other organs of the United Nations family. Through their enterprise, a whole complex of institutions had been established and the Council could take considerable satisfaction at their achievement which had been most significant and, in many cases, dramatic.

9. In addition to its support for the regular and voluntary programmes of the United Nations, New Zealand

had, on a per caput basis, been one of the largest contributors to the Expanded Programme of Technical Assistance. Its contributions were complementary to those provided bilaterally under the Colombo Plan, to which it had contributed the equivalent of over \$23 million since 1950.

10. It was of interest that the capital grants made from New Zealand's Colombo Plan appropriations had been directed largely to the public sector of the economies of recipient countries and that that assistance had been in the form of outright grants in convertible currency received from the sale overseas of New Zealand's primary products. His country was convinced, from its experience with the Colombo Plan, of the wisdom of integrating capital aid and technical assistance. For example, it was providing buildings and staff for an agricultural faculty at the University of Malaya. New Zealand scientific personnel would be closely associated with that project from its commencement to its completion, and his country looked forward to long-term collaboration with the Federation of Malaya on questions of agricultural science. He suggested that, as the programmes of the Special Fund developed, the value of that kind of link between the two forms of assistance should be borne in mind because it brought immediate and long-term advantages to both the donor and the recipient countries.

11. Although contributions to the Special Fund had not reached the level hoped for, it was gratifying that the Fund had at least been launched. He was sure that the first report of the Governing Council (E/3270) and the statement made by the Managing Director (1081st meeting) would convince governments of the valuable role which, with adequate resources, the Special Fund could play in helping countries in the process of development, especially the newer members of the international community whose problems of development were particularly acute.

12. The International Bank for Reconstruction and Development (Bank), the International Monetary Fund and other international financial agencies continued to play an important part by helping to promote liquidity among the world's trading nations, thus assisting in maintaining a high level of international trade.

13. His delegation hoped that the attention that would undoubtedly be given by the authorities concerned, including the contracting parties to the General Agreement on Tariffs and Trade (GATT), to the effects of commodity fluctuations on the under-developed countries — a subject which was considered in some detail in the *World Economic Survey, 1958* (E/3244) — would prove helpful to the developing countries in the management of their economies. That point had been very well made by the representative of Chile at the 1085th meeting.

14. He had to express some concern regarding one method of international co-operation suggested in the documents before the Council. The disposal of surpluses of primary products on a systematic basis at times seriously prejudiced the trading position of countries whose income depended substantially on the sale

of commodities. New Zealand had suffered considerable damage in its overseas trade from surplus disposals. While not insensible of the value of the assistance afforded by surplus disposals in certain limited circumstances, his delegation believed that in such cases aid in the form of direct financial grants would be more effective in dealing with the basic problems of development. The foreign exchange thus provided would enable the recipient countries to develop according to their own scale of priorities. It was a most unsatisfactory by-product of international assistance that the trade of countries which themselves were seeking to assist the less developed countries was harmed through surplus disposals.

15. The representative of France, in his statement at the 1085th meeting, had drawn upon his own personal experience in Senegal to show how the decline in prices received for primary commodities adversely affected development programmes. The analyses of the world economic situation showed that the problem was common to many of the countries of Africa, Asia, the Middle East and Latin America. Difficulties in maintaining an adequate rate of growth in per caput real income were further aggravated by increasing populations.

16. The various programmes of technical assistance had a special role to play in providing further assistance through multilateral and bilateral programmes to increase technical skills and administrative capacities. Also of particular importance to all the under-developed countries was a vigorous and soundly based expansion of international trade and the provision of development financing at flexible repayment rates. In that connexion, his delegation was interested to note the United States representative's statement (1085th meeting) concerning the consideration being given by his own and other governments to the formation of an international development association. He would point out, however, that even if such additional capital could be made available to the less developed countries, the outlook for the future would be still better if they could look forward to a freer and fuller flow of international trade, brought about by a reduction of both agricultural and industrial protection and by continued growth in the industrialized countries.

17. Mr. PATTEET (International Confederation of Free Trade Unions), speaking at the invitation of the President, said that the need to develop the economies of the under-developed countries was widely recognized as a result of discussions not only in the Council, but in other international bodies, governmental and private, and in national parliaments and organizations. Despite great efforts by the United Nations and by individual countries, only a small part of the problem had been solved. Just as the developed countries had discovered during the nineteenth century that the only possible consequence of the existence of an impoverished class was a revolutionary explosion, the world as a whole would have to recognize that, irrespective of the reasons for the poverty of the under-developed countries, unless the increasing gap between the advanced and the under-developed countries was closed, the situation would become explosive.

18. With or without the assistance of the industrially advanced countries, the under-developed countries of the world were undoubtedly going to develop within the next fifty years. However, without outside assistance it was most unlikely that that development would take place within the framework of democratic institutions. If economic development was to be combined with certain basic values of civilization, it had to take place not in the face of indifference, and even opposition, but as the result of eager co-operation between the more and the less developed parts of the world. It could not be taken for granted that the need for such co-operation was sufficiently realized.

19. The task had been described as that of raising the rate of investment of the national income of the under-developed countries from 5 to 15 per cent. There was much that the interested countries could do to help themselves. Increased efforts were needed in planning and carrying out development programmes. The under-developed countries must be prepared to tap domestic sources of capital for financing development projects, to reduce gross inequality in incomes, to carry out land reform, to construct an adequate economic and social infrastructure, and to avoid such misdirection of investment and misuse of resources as had occurred in some Latin American countries when they had been under dictatorial regimes.

20. However, even if all those conditions were fulfilled, a large-scale influx of outside capital remained indispensable. The International Confederation of Free Trade Unions (ICFTU) had strongly favoured the proposal to establish SUNFED, which unfortunately had not received the support of the wealthier countries. The fact that the Special Fund, which had been established instead of SUNFED, had so far received only about half the amount contemplated was a sorry reflection upon the attitude of governments. His organization hoped that the Special Fund would receive increasing support and would eventually be used also for the financing of basic development projects.

21. While the decision to increase the resources of the Bank (see E/3198/Add.1) was to be welcomed, there was little likelihood that it would be able to make an adequate contribution to the economic development of the under-developed countries owing to its relatively high rates of interest and the need to repay most of its loans in dollars. In that connexion, the creation of an international development association on the lines indicated by President Eisenhower at the Seattle meeting of the Colombo Plan Consultative Committee, in November 1958, might, if adequately implemented, provide a useful supplementary source of funds.

22. Although ICFTU still preferred the channelling of financial assistance through the United Nations and its agencies, it did not deny that private foreign investment still had a role to play. While the Secretariat's report entitled *The International Flow of Private Capital, 1956-1958* (E/3249) pointed out that that flow had considerably increased in recent years, the fact should not be overlooked that only about half of it was directed to under-developed countries. He was gratified to note that western Europe had become a steady capital supplier.

It was to be hoped that that trend would continue and contribute to the expansion of investment in under-developed countries. However, the report showed that it was mainly the industrially advanced countries and the rapidly growing countries with a substantial industrial sector that attracted private foreign investment, whereas the low-income countries, which had neither sufficient natural resources nor the domestic markets to sustain large industries, continued to receive very little private capital. There was thus an urgent need for multilateral and bilateral public investment and financial assistance on the largest scale. The increase in total public contributions to under-developed countries was very gratifying, but the absolute amount of such contributions was still far from the level necessary for rapid economic development.

23. The World Economic Conference of Free Trade Unions, held in March 1959, had considered 1 per cent of the national incomes of the wealthier countries as an indispensable minimum public contribution towards the economic development of under-developed countries. That would amount to \$5,000 million per annum, or about 50 per cent more than was now contributed by international and national public sources. In view of what was at stake, that price was not too high to pay.

24. Mr. de GAAY FORTMAN (Netherlands) said that although the immediate aim of the economic development of the less developed countries was to raise the standard of living to a reasonable level, the deeper sense of the efforts towards their speedier economic development was to enable the population of those countries to attain a full life and to bear responsibility in work, in family, cultural and spiritual matters and as citizens. He was happy to note that the representative of France had given expression to the same view in his statements at the 1085th meeting.

25. If that view was accepted, it became clear that economic development must be closely linked to technical, social and political development. Without the strengthening of spiritual forces, economic development would lead to the dead end of materialism.

26. Although social development rightly received separate attention by the Council, it should be pointed out that social factors often had direct economic consequences. Working, housing and living conditions, income levels and social security had a direct influence on labour productivity, and therefore on economic development. Technical development had both economic and social consequences. For example, the development of nuclear science revolutionized the supply of energy, required the creation of new tools, called for special measures in the interests of safety and health and required training in new techniques.

27. Another example which could be cited was urbanization. There were in many cases cogent social reasons for establishing industries in the countryside. Mexico and India had made commendable efforts in that direction. The more developed countries had learnt to their grief that urbanization often meant the uprooting of masses of workers attracted from the village to the town and that very large production units concentrated in one place had definite drawbacks from the point of view of

efficiency and human relations. There was now a trend toward decentralization of industry in the more developed countries and it was to be hoped that countries still in an early stage of economic development would try to avoid the dangers of urbanization and industrial concentration.

28. Political conditions were of paramount importance in economic development. Without an adequate framework of political institutions no rapid growth was possible. It was for the government and people of each country to decide freely on the political institutions that offered the best incentives for rapid economic growth.

29. However gratifying the progress achieved by United Nations institutions during the previous ten years might be, the Netherlands Government shared the general concern at the fact that it had not been commensurate with the needs and seriousness of the situation. While it understood the arguments of those who favoured a more gradual development, it adhered to its view that the needs were so great, and the conviction in the less developed countries that the situation should not be accepted as normal was so strong, that contemporary statesmanship demanded a rapid expansion of the various forms of assistance.

30. His government therefore strongly supported any measure contributing towards that end. The Netherlands Parliament had recently approved legislation relating to the increase in the capital of the Bank. His country had worked with full conviction for the establishment of the Special Fund. It was now very interested in the plans to establish an international development association, designed to support the development of the social and economic infrastructure of the less developed countries through low-interest loans. One part of the SUNFED concept—that relating to loans—would thus be realized. If the proposed association was to become an important landmark in the history of international assistance, it would have to fulfil certain conditions similar to those his government had contemplated for SUNFED: membership potentially not different from that of the United Nations and the specialized agencies, and an equal partnership between contributing and receiving countries.

31. An international development association that would be an affiliate of the Bank in the same manner as the International Finance Corporation would not be able to meet those conditions. The statute of the Bank and its limited membership would create problems that should be avoided. It might be best to study the possibility of establishing an institution with a mixed structure, associated with both the Bank and the United Nations. Such an approach might safeguard the basic principles he had mentioned and at the same time inspire enough confidence to be acceptable to the main contributing partners.

32. In opening the Council's discussion of the world economic situation at the 1068th meeting, the Secretary-General had asked whether the decision to make the expansion of aid contingent upon internationally organized and controlled disarmament should not be reconsidered. His government had repeatedly expressed the view that that link was out of place, because disarma-

ment and the economic development of the less developed countries were problems of equal importance. In any case, the gradual expansion of economic assistance in recent years had tended to dissociate the two problems, and his government welcomed the trend with satisfaction.

33. Mr. FARUQI (Pakistan) said that action to accelerate the economic development of under-developed countries was necessary for economic as well as for humanitarian reasons. A considerable part of the demand for the products of the industrialized countries came from the under-developed countries, and the latter looked to the former for assistance in meeting their capital requirements. For their part, under-developed countries such as Pakistan realized that development entailed sacrifices and that they must avoid costly mistakes in the planning and the implementation of development programmes.

34. The report entitled *The International Flow of Private Capital, 1936-1958* (E/3249) gave some encouraging information on the outflow of capital to low-income under-developed countries and indicated that the countries of western Europe were expanding their activities as suppliers of capital. The geographical distribution of foreign private investment was, however, still uneven and some countries remained unable to attract private capital. The less developed countries were seeking to stimulate foreign investment by means of assurances with regard to property rights and by fiscal measures. At the same time, they were naturally anxious to attract those investments which were likely to make the greatest contribution to their economic development. Capital-exporting countries, for their part, had until recently been mainly concerned with the avoidance of double taxation, but new measures were currently being taken to promote foreign investment, including the setting up of funds to guarantee private investors against political and transfer risks.

35. As to international assistance, the reports before the Council showed that total contributions, both multi-lateral and bilateral, to the less developed areas had expanded substantially in 1957-1958, the gain being attributable to the growth of lending activity rather than to an increase in grants. However, on a per caput basis the relatively developed countries were receiving more aid than the less developed countries.

36. Turning to the position in his country, he said that with the advent of the new regime in Pakistan there had been a marked change in financial and economic policy. In the past, economic development had been to a large extent financed from inflationary sources with great hardship to the lower and middle income groups. The new government was determined to check inflation, and had adopted an effective programme of price controls. Determined efforts were being made to increase production, and greater facilities had been granted for the import of industrial raw materials. In the 1959/60 budget, provision had been made for the financing of economic development from wholly non-inflationary sources, although the budget authorized a larger outlay for the purpose than in any previous financial year. Further measures had been taken to encourage foreign investment: it was no longer necessary, for example, for

foreign investors to seek the participation of local capital in their undertakings; bilateral agreements for the avoidance of double taxation had been concluded with many countries, and various measures of tax relief had been introduced.

37. Lastly, he expressed his country's appreciation of the assistance received from international organizations—in particular the Bank—and from the Colombo Plan countries and the United States of America. Pakistan would have found it difficult, if not impossible, to maintain its present rate of economic growth without United States assistance. He hoped the Council's deliberations would help to encourage public support for the governments which were providing the under-developed countries with the economic and technical assistance they so urgently needed.

38. Mr. DUDLEY (United Kingdom) said that he agreed with other speakers who had emphasized the importance to the Council of holding regular debates on economic development. He found it very difficult on that occasion to draw any single thread of wisdom or experience from the documents before the Council. But one lesson stood out from the documents: that of diversity, both of the facts and of the Council's approach to them. Not only did the economies of the under-developed countries differ from one another, but the problem of under-development in each individual country was many-sided. Some aspects of that problem required international aid, some called for domestic action, and some, such as climate and geographical situation, were unchanging and required adaptation rather than direct action.

39. In a sense, the international economic environment was another of those obdurate circumstances. The economic climate changed slowly, but sometimes there were rapid and unpredictable developments, and attempts to forecast its changes had not proved very successful, as experience in the United Kingdom had shown. Nevertheless, despite the difficulties in that respect, autarky had been rightly rejected by most countries and the world had come back to the realization that the international division of labour was essential to the improvement of living standards.

40. In that connexion, the Secretary-General had recalled (1068th meeting) the responsibility which the large industrial countries bore because of the degree to which their actions influenced the situation of other and poorer countries. If growth in the industrialized countries was suspended, the international environment became less favourable for development. But equally the instability which resulted from unbalanced growth could gravely affect the international economic environment, as had been shown by the violent fluctuations which had accompanied the war in Korea. More long-standing and in some ways more serious were the distortions which had resulted from restrictions of consumer demand in certain developed and planned economies whose rulers were intent on forcing further, in particular directions, the pace of their own industrial development. In that connexion, he wished to reply to the suggestion by the Polish representative at the 1086th meeting that the Soviet Union and the eastern

European countries offered an expanding market for the primary producing countries. In fact, as the figures in the *World Economic Survey, 1958* (E/3244) showed, the consumption in Eastern Europe of imported goods and raw material for consumer goods was deliberately restricted, and such imports as coffee, cocoa beans and citrus fruits were well below pre-war levels (*ibid.*, table 49).

41. Within the world economic climate, the policy of each country must be determined by its own situation. Developed countries, because of the flexibility that came with development and of the greater number of safety valves which they possessed, could employ measures to encourage industrial growth which, in a less developed country, might lead very rapidly to inflation. Inflation in its turn could quickly choke off economic growth. It was therefore essential to distinguish, in the light of local circumstances, between measures which were desirable and those which would be dangerous.

42. Despite the diversity of problems and solutions, there was one major common factor: a pressing demand for capital in rich and poor countries alike. The United Kingdom Government was aware of that need, and the outflow of capital — public and private — from the United Kingdom for investment abroad was second in amount only to that from the United States of America. The United Kingdom Government alone had made grants and loans totalling \$900 million in the last five years to governments in under-developed countries. His government also believed that international institutions had a vital role to play in the provision of public capital; it was probable that some sort of multilateral development institution would be established within the framework of the United Nations. At the same time, private investment would remain a most fertile source of long-term capital. In that connexion, the secretariat report covering a period of three years (E/3249) provided a much better basis for discussion than the earlier annual reports, and he hoped that it would be possible to maintain that periodicity in the future.

43. The United Kingdom was, as the report indicated, a very large exporter of private capital, including both portfolio investments and direct investments, which had become increasingly important. The total outflow of private capital from 1954 to 1958 had been over \$3,000 million, representing 1 per cent of the gross national product. It was certain that more than half of that outflow had gone to the under-developed countries. It had been pointed out that many under-developed areas remained unattractive to the overseas private investor. That fact did not mean that the countries concerned had no effective access to sources of capital: the flow of government funds favoured, and would continue to favour, those areas.

44. It was unfortunate that some of the figures given in the secretariat report should have misled the Soviet Union representative with regard to receipts in respect of United Kingdom investments abroad. The figures of £374 million, £360 million and £338 million given as the totals for interest, profits and dividends received in 1956, 1957 and 1958 respectively (E/3249, p. 29)

represented gross amounts. The corresponding net figures were around £100 million annually. Also, it was meaningless to compare receipts with annual figures for capital outflow. Interest, profits and dividends were, of course, earned by the whole of the United Kingdom overseas investments, which had been built up over several centuries.

45. The Council had discussed at its twenty-seventh session the role which the United Nations might play by technical assistance and related research activities in assisting Member States in the discovery and development of petroleum resources. Certain delegations had been dissatisfied with what had been achieved in that field. Extractive industries required much capital, and large resources were not at the disposal of the United Nations. The United Nations had, however, important facilities for providing help, particularly in the form of technical assistance. It would be helpful both to governments and to the Secretariat to know what demand existed for that sort of assistance and what were the resources to meet it. Accordingly, his delegation had joined with other delegations in submitting a draft resolution (E/L.841) concerning the role which the United Nations could play in assisting governments of Member States in their petroleum problems.

46. Mr. MICHALOWSKY (Poland) said that he had not referred, at the 1086th meeting, to the exports of under-developed countries to eastern Europe. He had merely pointed out that the market for those exports in the capitalist countries was not growing in a manner likely to assist the producing countries in their economic development. It was, of course, true that the eastern European countries had been obliged in the past to limit imports of semi-luxury products because of the prior claims of reconstruction, but they were now in a position to increase their imports; if certain capitalist countries were to abandon the artificial barriers to trade created for political reasons, the concerted action of all the developed countries could make a useful contribution to the economies of the primary producing countries.

47. Mr. TEMBOURY (Spain) noted that many questions concerning international economic, and in particular financial, co-operation were still the subject of debate. Nevertheless it was generally agreed that, although the richer countries could not be blamed for the condition of the less developed areas, the co-existence of affluence and poverty must not be tolerated.

48. The United Nations had already adopted many resolutions—as the compendium prepared by the Secretary-General (E/3202) showed—concerning the principles and means of international co-operation to promote the economic development of the under-privileged countries. While some progress had been made in that direction, much remained to be done. In that regard, he referred to General Assembly resolution 824 (IX), which expressed the theory of orthodox private financing. It was for each country to consider whether it had observed the recommendations in that resolution. The under-developed countries must ask themselves whether their policies, laws and administrative practices provided a favourable climate for foreign investment, whether they were not taxing foreign capital unduly or in a discriminatory

fashion, whether they were facilitating imports of capital goods required for further investments, and whether they were allowing the foreign investor to export his profits and repatriate his capital. The developed countries should consider whether their policies, laws and administrative practices were directing the flow of private capital towards countries in need of foreign capital, whether they were endeavouring to convince investors of the advantages that lay in helping other countries, and whether they were not adopting taxation measures that impeded the export of private capital.

49. His delegation agreed that for capital development programmes, which were not attractive to private investors, it was necessary to make use of public capital. But it could hardly be hoped that the volume of public financing would ever be such as to make private financing unnecessary. In the long run, public financing was supported by private capital, which would always have to be called upon in the last analysis. Foreign investors must therefore be encouraged by an appropriate policy.

50. That policy had been followed by Spain, which had been obliged, in the greatest isolation, to tackle the problem of its economic development. Spain had succeeded, by dint of sacrifices, work and self-denial, in improving the productivity of its land and mineral resources, and had created new industries, thus increasing the purchasing power and raising the level of living of the Spanish people. Recent balance-of-payments difficulties had obliged the Spanish Government to have recourse to international financing. To that end, it had adopted a series of drastic but necessary measures, mainly concerned with the regulations governing foreign investments, which had been modified in order to attract private capital.

51. Spain was grateful to the International Monetary Fund, the Organization for European Economic Cooperation and the agencies and States which had enabled it to launch the new economic plan, in which it reposed great hopes. As always, it would honour its commitments and, as throughout its long history, it was prepared to co-operate by every means in its power in the task of helping the less developed countries.

52. Mr. EGGERMANN (International Federation of Christian Trade Unions), speaking at the invitation of the President, said that the gap between per caput national incomes in the developed and the under-developed countries had tended to widen since the war and, despite all the advances made, there had been no improvement in levels of living in the poorest countries. No report submitted to the Council had invalidated that conclusion.

53. The report entitled *The International Flow of Private Capital, 1956-1958* showed that capital was being exported on an increasing scale by a larger number of countries. About 50 per cent of the capital exported had been directed towards the low-income countries. It was significant that the improvement in recent years was due to the fact that western Europe had become a steady supplier of capital. However, the report showed that there were no grounds for undue optimism and that some countries still could not attract private capital, even at high rates of interest. The countries in question were those which had no considerable natural resources or internal markets

capable of absorbing large-scale production, and were the very countries where domestic capital formation was unable to keep pace with population growth.

54. The International Federation of Christian Trade Unions (IFCTU) realized that private capital investment was only one form of economic assistance to the under-developed countries. It welcomed the increase in multilateral intergovernmental contributions under United Nations auspices, particularly through the Bank, and believed that that form of economic assistance had many advantages as compared with exclusively bilateral assistance.

55. The fact that the \$100 million target for the Expanded Programme of Technical Assistance and the Special Fund had not been reached, and that it had been necessary to reduce the programmes accordingly, was regretted by IFCTU.

56. The foreign aid the under-developed countries were now receiving was insufficient to cover their needs, particularly in view of the strain to which their economies were subjected by fluctuations in the level of world economic activity. He hoped that the Council's discussions would encourage all the countries concerned to take action that would permit a substantial expansion of international economic assistance to the under-developed countries.

57. So far as government contributions were concerned, IFCTU agreed with the Secretary-General's suggestion that the link between international disarmament and the expansion of aid to the under-developed countries might be reconsidered (1068th meeting). It believed that the economic development of the under-developed countries was no less important than the maintenance of international peace, and that the two aims were indeed largely interdependent. It had therefore enthusiastically supported the SUNFED proposal, and considered that the situation called for the establishment of a world economic development agency on the lines suggested several years previously. Pending the establishment of such an agency, other proposals might be carried out, such as the plan for the establishment of an international development association under the aegis of the Bank.

58. With regard to private investment in the under-developed countries, IFCTU hoped that the report requested of the Secretary-General in General Assembly resolution 1318 (XIII) would contain information concerning the desirability of an international convention as a means of providing a regular flow of private capital while safeguarding the essential rights of the under-developed countries.

59. The problem of financing economic development was considered by IFCTU as the world's most important economic problem. It was not insoluble: the difficulty lay not so much in finding the necessary resources as in deciding to act where action was possible.

60. Mr. BORIS (France) said it had been his delegation's desire that its main statement in the debate should be made by a member of the Community. Mr. Thiam, the Minister of Finance, Economy and the Plan of the Mali Federation, had expressed the views of a

country which had recently entered the Community and had clearly stated the problems of the African peoples, with which he was familiar from experience.

61. The President of the French Republic had said recently that the problem of the under-developed countries was the main problem of the modern age, and that all countries which had reached a certain stage of development shared the responsibility for finding a solution.

62. In conclusion, he noted that as a result of the changes that had taken place in French institutions and in the status of the under-developed countries for which France was responsible, the figures for the French effort to promote development must be analysed somewhat differently. In 1958, the contribution from metropolitan public funds to the under-developed countries had amounted to \$745 million. France therefore came second so far as the total amount of assistance to under-developed countries was concerned, and first on the basis of per caput investment.

63. The PRESIDENT said that the item would be referred to the Economic Committee.

AGENDA ITEM 2

World economic situation (*concluded*)

- (a) Survey of the world economic situation
- (c) General Assembly requests pertaining to international co-operation in economic fields (*resumed from the 1073rd meeting and concluded*)

REPORT OF THE ECONOMIC COMMITTEE (E/3292 and Corr.1)

64. The PRESIDENT put to the vote draft resolutions A and B contained in the report of the Economic Committee (E/3292).

- A. UNITED NATIONS MEASURES FOR PROMOTING INTERNATIONAL EXCHANGE OF SCIENTIFIC AND TECHNICAL EXPERIENCE

Draft resolution A was adopted unanimously.

- B. GENERAL ASSEMBLY REQUESTS PERTAINING TO INTERNATIONAL CO-OPERATION IN ECONOMIC FIELDS

Draft resolution B was adopted unanimously.

The meeting rose at 5.30 p.m.