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SWISS MERCANTILE SOCIETY.

Mr. W. Meier, our President, had the pleasure of welcoming a numerous company to our monthly meeting on 10th inst. Among the audience was our veteran, Mr. Louis Chappuis, who looks back upon 58 years' membership of our society.

Mr. Meier then reported the deaths of our members Max Wuest (1920) and J. Born (1927) to whose memory we paid the last silent tribute.

Mr. K. Kirchheimer was made a member of the London section and Mr. Hauser, our secretary, was complimented upon his passing the final examination as chartered secretary.

The President then called on Monsieur R. Faessler, Counsellor of Legation, Chief of the Commercial Division of the Swiss Legation, to address us on

Some Economic Problems in Under-Developed Countries,

which he did authoritatively, having spent several years in the Near East. He defined an under-developed country as one which does not produce enough to meet the essential needs of its population. The problems of these countries have exercised world opinion since the last war, most particularly under the auspices of the United Nations. It is not only a question of economics, but of politics as well. Some of the countries most willing and able to help are those which formerly ruled these regions as colonies or dependencies. Their proffered help is viewed today with suspicion by the needy countries, who reproach them with colonialism or imperialism.

Almost all under-developed countries of today once enjoyed extremely flourishing civilisations, while the highly developed countries of the present are of comparatively recent creation.

Mr. Faessler gave as an example Egypt, which under the Pharaohs enjoyed several thousand years of prosperity and power. Wealthy towns, where life was easier, sprang up and attracted the peasants. Population increased, which the depleted farming community could no longer feed adequately. Irrigation deteriorated through neglect and the desert ate more and more into arable land. As the towns became poor, their populations returned to the country which, by then, was no longer capable of intensive cultivation. The once wonderful and now defective irrigation system, actually helped to produce swamps where formerly the land was among the most fertile.

Although cultivation has much improved, crops continue to fall in spite of better irrigation and growing use of fertilisers. Egypt has 0.11 ha. of cultivable land per head of the population, the USA 1.2 ha. Measured against the agricultural population, Egypt has 1.6 ha. per head, the USA 20 ha. 45 tons of fertiliser go into 1,000 ha. in Egypt, against 3.87 tons in the States, yet Egyptian production decreases, while the population continues to grow by about 400,000 a year. The American experts in Egypt found that the ploughs they used brought up such poor subsoil that neither cotton nor wheat would grow on it. What matters is that the under-developed countries have not sufficient arable land to feed the growing populations. To create industries which would absorb the surplus populations would not be a solution. In India this would mean shifting 100

million people, among whom would be 30 million workmen. United States industry employs only 15 million workmen and provides not only for all the needs of the country, but for a substantial export trade. It is thus easy to visualise the consequences of over-industrialisation of, say, India or China.

The Aswan Dam in Egypt was intended to make available sufficient arable land to feed at least 2 million people, and to produce enough electricity for a few basic industries. The cost of the scheme, which would have benefited but a limited area, was some £400 million. This was beyond Egypt's means, and she asked the USA, Great Britain and the World Bank for assistance. An initial \$275 million was tentatively agreed to in return for a cessation of anti-British and anti-American propaganda by Colonel Nasser, while the World Bank tried to secure supervision of Egyptian finances to ensure the safety of the loan. Col. Nasser persisted with his anti-West propaganda and bought arms in Czechoslovakia, thus creating a financial dis-equilibrium in Egypt. Hence the western offer was withdrawn and, to avenge himself, Nasser nationalised the Compagnie Universelle du Canal de Suez.

Here we see how countries which have recently become independent are more nationalist than the Western countries, where foreign military bases have become established and even some sovereign rights have been partly renounced (see Coal-Steel Union).

The modern capitalist states took about 100 years to become industrialised and to increase their agricultural production. In the process some profound misery was experienced by the working popula-



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tions. The new countries want to achieve the same results in a few years.

Another obstacle to greater prosperity is the apathy, disease and complete illiteracy of the population outside the towns. It is a question of hygiene. Illnesses spread through the water of the canals used for bathing man and beast alike. Practically nowhere in the Delta does one find drinking water. Where it has been provided, the people will not drink it because it has not sufficient taste. Education is difficult because teachers and doctors will not settle in the country where conditions are not considered adequate for members of the middle class. Even the few hospitals are empty because the natives have more confidence in their witch-doctors.

The building of modern villages complete with mosques, schools and hospitals is not enough to attract people. One such built in upper Egypt under United Nations auspices has remained uninhabited. Another instance quoted was that of an entirely new town of one-family dwellings for 2,000 workpeople of a textile factory. These workmen own water buffaloes which need to bathe several times a day. They were put under the showers in the houses while the families camped outside. It took several years to induce them to live in the houses themselves.

The under-developed countries require more cultivable land. This calls for the construction of dams, introduction of irrigation and drainage. Thus they will be able not only to feed themselves, but to export any surplus produce. This will call for the building of roads, railways and harbours. All this will help to create a steady income from exports. Some industries must be set up but only to the extent needed to absorb surplus rural labour.

In the last 150 years the capital needed for the development of the colonial empires was provided by the mother countries. Today when many of the once dependent countries have become independent, or are about to reach this state, this process is no longer natural or automatic. The countries capable of lending money will only do so on a sound basis. The ex-colonies are offended and resent the precautions called for to protect investments. *They are considered infringements of the newly acquired sovereignty.* Two-thirds of the world's income flows to Western Europe, the United States and Canada who have only 18% of the world's population. A more equitable distribution of wealth is therefore needed. In the prosperous continents mentioned, the income per head amounts to \$915, whereas in the under-developed countries it is only \$55.

Article 55 of the United Nations Charter provides that the more advanced countries owe support to those countries which are economically, technically and socially backward. In 1949 President Truman launched a bold programme, the first principle of which was that under-developed countries must be helped in such a way that they may be able to help themselves later on. The United States set up the Import-Export Bank, which works with public funds and encourages American exports to under-developed countries.

The International Bank for Reconstruction and Development created in 1946 makes available to under-developed countries the capital needed for their development programmes. This Bank must not run any risks. Therefore during the period of any loan

the national finances of the borrowing countries must be subject to control by the organs of the Bank. This condition is often the stumbling block, causing the refusal of proffered loans. From 1946 to 1955 the World Bank has granted loans for about \$2 milliard.

The United Nations drew up in 1950 an enlarged programme of technical aid, the execution of which is entrusted to several specialist agencies. The United Nations Fund for Aid to Children has arranged for the vaccination against T.B. of over 50 million children, and has created 172 establishments for the pasteurisation of milk in 28 countries. In all these organisations Switzerland participates actively.

The International Finance Corporation set up this year with a capital of \$100 million grants credits without government guarantees to private undertakings in under-developed countries.

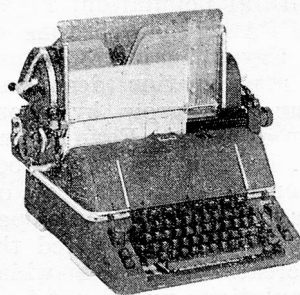
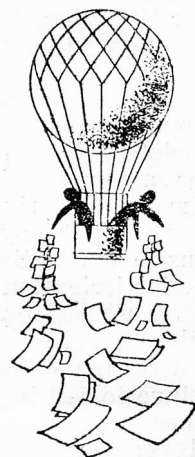
Besides these truly international organisations there are a few whose spheres of activity are more restricted, such as the Colombo Plan and the Baghdad Pact. There have also been some private efforts, such as the project of Krupps to industrialise some countries of Western Asia, and the efforts of some Swiss Bankers, who have offered the country's capital resources to the World Bank, Australia, South Africa and the Belgian Congo.

Switzerland contributes annually 1 million Swiss francs to the programme of technical aid. In 1955 we sent 60 experts to different countries and we welcomed 92 scholarship holders. Swiss capital will also help in Southern Italy, Greece and Turkey.

For several years the Soviet Block showed no interest in these organisations, restricting its aid to

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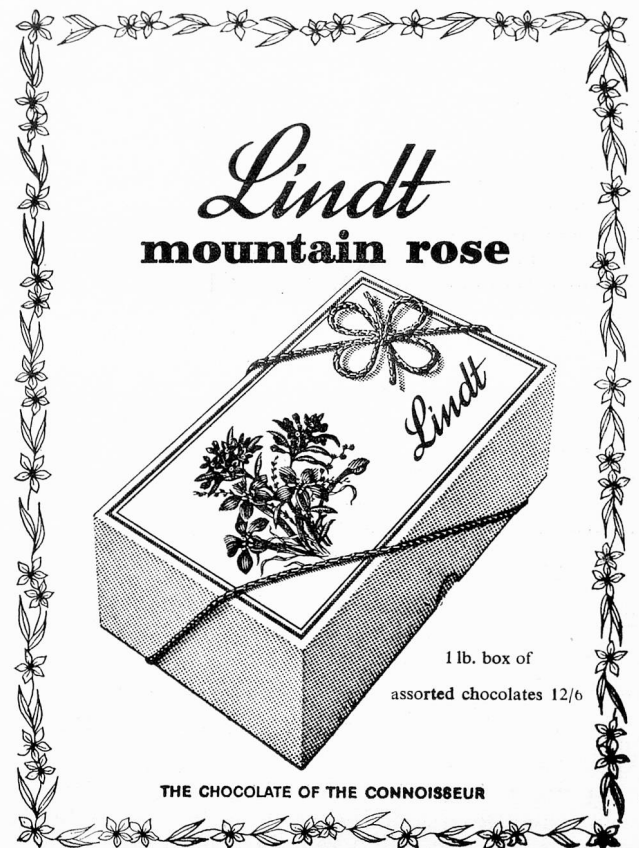
its satellites, mainly China. Since 1953 the USSR contributes to the United Nations technical aid and to UNICEF. Apart from that the Soviet endeavours have been mainly concerned with Western Asia and Latin America. This aid has often taken on a political colour.

Generally speaking, under-developed countries prefer to obtain help from international organisations, since such assistance is devoid of political flavour. One thing is certain, however: Whatever aid the West can provide is essential not only to the under-developed countries, but also to our own economic well-being. Almost unsurmountable difficulties face the private, national and international investors at present. Broadly speaking, the lender will not take undue risks. Nasser's grab, closely followed by President Sukarno's writing off of all Dutch credits in Indonesia, show the risks the lenders must reckon with.

Dr. Faessler concluded his lecture by saying that confidence in the West has been severely shaken. The under-developed countries will have to make a great and convincing effort to show themselves deserving of the confidence of the more advanced countries before any substantial progress is made in the direction of international co-operation in economics and finance.

The discussion which followed ranged far and wide, and showed the sustained interest with which our speaker's exposition had been followed, and that those who had come to Swiss House had been well rewarded for their coming.

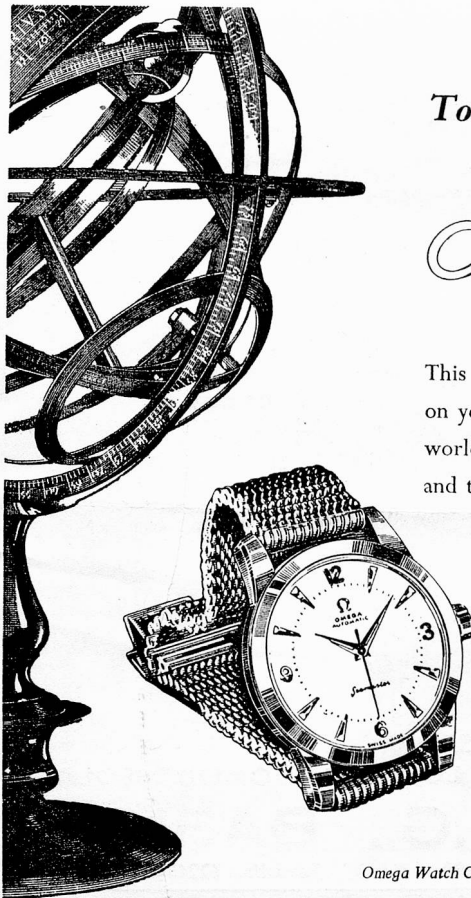
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