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Chairman: Mr. Ernest G. CHAUVET (Haiti).

AGENDA ITEM 24

Economic development of under-developed countries (A/2955) (*continued*):

(a) Question of the establishment of a Special United Nations Fund for Economic Development: report submitted in accordance with resolution 822 (IX) of 11 December 1954 (A/2906, A/C.2/186, A/C.2/L.271) (*continued*)

1. Mr. ISMAEL (Indonesia) said that the valuable documentation before the Committee showed that the idea of the Special United Nations Fund for Economic Development (SUNFED) had become less controversial. Agreement had been reached, first, that an international financial institution was necessary to strengthen the social and economic infrastructure of the under-developed countries and, secondly, that such an institution had to be financed mainly by Governments. It was to be hoped that the final measures for the establishment of SUNFED would be promptly taken.

2. As the Special Fund would be concerned principally with governmental projects, it could best be operated within the framework of the United Nations. While it should seek advice and assistance from other bodies working in the same field, particularly the Technical Assistance Administration (TAA), the International Bank for Reconstruction and Development, the International Finance Corporation (IFC) and the United Nations Secretariat, it was essential that it should remain completely free and independent. The procedure recommended on page 16 of Mr. Scheyven's report (A/2906) that some applications from Governments should be dealt with by other bodies rather than by the Special Fund seemed unnecessary and likely to infringe the independence of the new organization.

3. His delegation did not entirely share the fear that competition might arise between the Special Fund and the Bank. Their fields of action were complementary in that the consolidation of a country's social and economic framework — the Special Fund's main task — would facilitate the successful development of projects which could be financed by the Bank. If pro-

jects were clearly defined, there could be no doubt which of the two organizations could best handle them. Nor should there be any dispute about their sources of income since the Special Fund would obtain its contributions in a manner similar to the TAA.

4. Although the Special Fund should be quite separate, it should co-operate fully with other similar organizations and there was no reason why its representatives should not serve as advisers in other institutions. But in no circumstances should the Special Fund be placed under the supervision of any outside body.

5. At the Asian-African Conference at Bandung his delegation had pledged that it would work for the establishment of SUNFED as a means of overcoming the basic deficiencies in the economic and social structure of the under-developed countries. He hoped that Indonesia would be able to give a favourable report of its efforts at the next meeting of the African and Asian countries.

6. Mr. LIRA MERINO (Chile) said that his delegation had sponsored the joint draft resolution (A/C.2/L.271) in the belief that it represented a further step towards the establishment of a Special Fund for economic development of the type proposed by the Chilean delegation (161st meeting) at the sixth session of the General Assembly. After four years of discussion, the time had come for practical proposals.

7. The international community had come to recognize that economic development was essential to the stability and prosperity of the world economy and must be undertaken jointly by the industrial and the under-developed countries. At the same time, improved communications had made the under-developed countries more aware of their need for development and more determined to attain the higher standards of living made possible by technical and scientific advances.

8. Nevertheless, it was still argued that economic assistance to the under-developed countries could not be substantially increased until defence expenditures were reduced. His delegation continued to believe that that view was mistaken. Disarmament might have serious economic repercussions in the industrial countries and economic development would provide the cushion required to avoid an economic recession.

9. The under-developed countries were seeking to produce in order to consume, and increased consumption was what the industrial countries needed. If the exporting countries helped to promote the development of the under-developed countries, the latter would provide a steadily expanding market for their products.

10. The need for a joint effort to promote economic development was no doubt appreciated by the industrial countries, but there were differences of opinion regarding the methods that should be employed. Some believed that private capital meant exploitation, others that public capital would lead to totalitarianism. The

tendency to consider financed assistance in ideological terms was dangerous, since both forms of capital were needed.

11. Relatively little publicity had been given to the economic crises resulting from the substitution of synthetic products for the natural and often staple economic resources of countries in process of development. No one opposed scientific progress, but understanding must be shown towards countries so affected which took steps to diversify their production and which, like Chile, could do so only if public capital were available to finance basic projects. Accordingly, dogmatic interpretations of the dangers inherent in private or public capital ought to be revised.

12. Passing to the joint draft resolution, he welcomed the fact that, after four years of effort, it was proposed to request Member States for their detailed views on the structure and operations of SUNFED and to establish an *ad hoc* committee to submit a report to the Economic and Social Council and the General Assembly. The main purpose of the draft resolution was to impress upon the industrial countries the fact that economic development was a matter of common interest, that the proposed Special Fund was an important advance and that the other methods available, however effective, had been inadequate.

13. The draft resolution was sponsored by a large group of countries at different stages of development and with different living standards; they included countries in Asia, Africa and Latin America and some far-sighted European countries, representing most of the world's population and a great variety of civilizations and cultures. The most significant aspect of the draft resolution was that thirty-two sponsoring States were reaffirming their belief that international co-operation could be decisive in ensuring peace through prosperity, while at the same time curbing their desire for immediate action so far as possible in order to convince the industrial countries that they must join in creating a new future for all peoples.

14. The statements of the representatives of certain leading industrial countries might arouse scepticism in the under-developed areas. The armaments race had not been imposed by the under-developed countries, and it was most unfair that it should lead the industrial countries to make only a modest contribution pending disarmament or a substantial reduction in expenditure on armaments. He was persuaded that once confidence had been established among the great Powers, the fears currently reflected in political dogmas or economic slogans would disappear. He was optimistic enough to believe that, during the session, the major industrial countries would come closer towards meeting the wishes of the under-developed countries. On the other hand, should they decide to await disarmament, there would be little chance of financing economic development. The amount of international financial assistance furnished from the period of lend-lease up to the present day was so enormous that the contributions requested for SUNFED appeared to be modest indeed. It was regrettable that, when economic assistance was consistent with a political situation or a military necessity, it was available on an unlimited scale but, when it was planned independently of such considerations, it was not so readily available.

15. Mr. DAMLUJI (Iraq) remarked that the moral, political and economic responsibility of the rest of the world towards the more under-developed areas, and the fact that the United Nations was the organization

best suited to discharge that responsibility, had been generally recognized. It was sufficient to indicate that the achievements of the TAA and of the specialized agencies had more than justified faith in the United Nations as an instrument of peace based on universal prosperity. The under-developed countries looked upon their economic development as an urgent matter which could not await the solution of current political problems.

16. Delay in granting United Nations support might create opportunities for turning the purely economic problems of the under-developed areas into political issues.

17. Iraq, though under-developed, possessed sufficient natural resources to carry out its own development projects and hence did not regard itself as a potential beneficiary; nevertheless, it appreciated the urgency of establishing SUNFED as soon as possible. The sooner the United Nations assumed another of its rightful responsibilities towards the under-developed areas, the sooner those areas would attain the economic and social level which would enable them to contribute their proper share to international understanding.

18. SUNFED would not solve all the economic ills of the under-developed countries and it would not be fair to assume that, without SUNFED, their economic disadvantages would remain with them forever. As his delegation had stated (352nd meeting), the United Nations could not be made responsible for developing the under-developed countries on its own; basically and primarily that was a task for the under-developed countries themselves. Yet SUNFED would enable them to accelerate their rate of development.

19. Some technical arguments adduced by the Bank and outlined on pages 2 and 3 of Mr. Scheyven's statement (A/C.2/187) indicated that its conception of SUNFED and of its objectives differed from his delegation's view. SUNFED should help countries which could not meet the requirements of the Bank in respect of loans. If SUNFED was not intended to make low-interest loans and to extend grants-in-aid, there was little point in establishing it. SUNFED, as he conceived it, was intended to serve under-developed countries which could not afford to borrow from the Bank and which urgently required assistance the Bank could not grant without taking a risk not authorized by its statutes.

20. He failed to see what possible competition there could be between the activities of the Bank, which advanced loans to its members only, and SUNFED which would deal exclusively with the under-developed areas. Indeed the demand for loans from the under-developed areas was so far in excess of the potentialities of the Bank and SUNFED together that such fear was unjustified. In addition, the sums available to SUNFED at the outset would be so modest that no such competition was possible.

21. In conclusion, he sincerely hoped that the joint draft resolution, of which Iraq was a co-sponsor, would commend itself to all the delegations.

22. Mr. A. P. MOROZOV (Union of Soviet Socialist Republics) said that if the under-developed countries were to succeed in their efforts to promote economic and social progress, to raise the levels of living of their people and to achieve real independence, they would have to develop their national economies and industrialize. That fact was a matter of historical experience and had been recognized in Economic and Social Coun-

cil resolution 560 (XIX) which had also emphasized the need for further energetic international co-operation to accelerate progress. His delegation believed that the Special Fund could represent one of the forms that such international co-operation could take. However, the Special Fund as envisaged in Mr. Scheyven's report, was called upon merely to develop a so-called economic and social infrastructure. International co-operation must be directed towards the industrialization of the under-developed countries and the purposes and tasks of the Special Fund should be defined accordingly. It had been on that understanding that his delegation, both in the Second Committee (351st meeting) at the current session of the General Assembly and at the twentieth session (886th meeting) of the Economic and Social Council, had stated that the Soviet Union was favourable to the establishment of SUNFED and prepared to consider the question of participating in it, bearing in mind the fact that the task of the Special Fund would be to promote the development of the national economies and the industrialization of under-developed countries.

23. Mr. Scheyven in his report had stated that the Special Fund's work on behalf of the under-developed countries would chiefly consist in making grants, but the USSR delegation felt that the essential basis of the functions of the Special Fund should be to make loans.

24. It had been argued that the Special Fund should not make loans on favourable terms because it might find itself competing with the Bank. But surely such competition would benefit the under-developed countries, particularly as the representatives of those countries had frequently drawn attention to the high rates of interest charged on International Bank loans. Grants-in-aid, however, had been advocated as a means of compensating borrower countries for the high interest they paid on International Bank loans. It would appear, therefore, that they were to be used as a means of safeguarding and protecting the conditions on which loans were received from international credit institutions. SUNFED could not be asked to do that and in any event, the proposed "amalgamation" of the functions of the Bank and SUNFED would not be in the interests of the latter. The Special Fund's loans should not be made on the same conditions as those of commercial banks but should be provided on a long-term, low-interest basis. In that connexion, he drew attention to General Assembly resolution 520 (VI) and 622 (VII) and to the report of the Committee of Nine (E/2381).

25. In his report, Mr. Scheyven had rightly pointed out that the Special Fund should function in accordance with the principles of the United Nations Charter and in the interests of the under-developed countries. However, the relationship which according to the report, should be established between the Bank and the Special Fund might turn the Special Fund into a subsidiary of the Bank. The Special Fund would be in a much better position to accomplish its task if it were established as an independent United Nations body. The USSR delegation was against any superfluous international machinery. Naturally, the Special Fund would co-operate with other United Nations bodies and the specialized agencies, but it could have its own facilities to carry out studies and other activities connected with its work. That, however, would be impossible if it became dependent on other bodies. Another matter of great importance was that the under-dev-

eloped countries should have a voice in the Special Fund's administration planning, allocation of funds and general operations.

26. The Special Fund's activities would be closely related to measures to expand international trade. The proposal that loans could be repayable in local currency was sound, particularly as the Special Fund could use local currency to assist other countries by supplying them with goods purchased in the repaying country, thus expanding the Special Fund's resources and promoting international trade.

27. The under-developed countries were in urgent need of the machines, equipment and supplies necessary for their industrialization and, therefore, the USSR was contemplating making the main part of its contribution to the Special Fund in the form of equipment, machines and *matériel*. The suggestion that contributions to the Special Fund could be made in local currencies was also sound as it would help to extend the scope of its activities and attract more participants. As the USSR delegation had already stated, the principal sources from which the Special Fund could be financed were the funds which would be released as the result of agreement on the question of the reduction of armaments and the prohibition of atomic and hydrogen weapons. He expressed the conviction that that problem would be solved in the near future.

28. Admittedly, the Special Fund would not be a panacea for all evils and, accordingly, other means of financing economic development, such as the proceeds from expanded international trade, should not be overlooked. In that connexion, he pointed out, in reply to the unfounded remarks of the United Kingdom representative with respect to the USSR's position on international trade and the Special Fund, that despite the devastation which the USSR had suffered during the Second World War, the volume of its foreign trade in 1953 had been almost four times greater than the pre-war level. There were also certain artificial obstacles and barriers, in the form of discriminatory measures practised by a number of countries against the USSR and some other States.

29. Those were the preliminary remarks he wished to make on Mr. Scheyven's report. He presumed that the General Assembly would adopt the recommendation of the Economic and Social Council contained in resolution 583 A (XX), and would request Governments to study Mr. Scheyven's report and to submit their comments on the purposes, structure and operations of the Special Fund to the Secretary-General so that the question could be examined by the Economic and Social Council.

30. Mr. HAKIMI (Afghanistan) paid a tribute to the work accomplished by Mr. Scheyven and his staff and observed that the willingness of most nations to contribute to the economic development of the under-developed countries was encouraging. The IFC was no longer merely a pious wish, and the establishment of SUNFED would also require nations to pool their resources in order to speed up the development of an economic and social infrastructure in the under-developed countries. The principle of SUNFED had already received support and at the present time further progress could be made as a result of the improvement in international relations.

31. The under-developed countries had made some progress through their own efforts and with the assist-

ance provided by the United Nations and under bilateral or multilateral agreements. However, his delegation agreed that the development of the infrastructure necessary to speed up their economic development depended largely on the establishment of SUNFED. The problem of economic development was pressing, but it could be solved through a co-operative effort.

32. His delegation considered that the purposes, objectives and operations of SUNFED would be different from those of the Bank and the IFC and that it would in no way compete with the other two bodies. However, some relationship should be established between SUNFED and the Bank, which had great experience in the economic development of under-developed countries.

33. Afghanistan had co-sponsored the joint draft resolution which reflected a wide measure of agreement and compromise. Its adoption would represent an important step forward in the solution of a vital question of long standing.

34. Mr. AMADOR (Mexico) urged that SUNFED should be established as soon as possible in order to provide the under-developed countries with the means

of accelerating the development of their economic infrastructure and thereby enabling them to promote the prosperity and welfare of their people.

35. The prospect of its early establishment was more encouraging than it had been last year, as some industrial countries had already specified the amount they were prepared to contribute and others had stated that their support of the Special Fund was not conditional on the reduction of armaments. That augured well for the future. However, the Special Fund required the support of other larger nations if it was to be a really effective instrument in the economic development of the under-developed countries. Only then would the scheme become a reality and of benefit to the world as a whole.

36. His delegation supported the joint draft resolution and associated itself with the views of its sponsors. That, however, did not imply a commitment on the part of his Government with respect to any contribution. A decision on that question would be taken when the structure of the Special Fund was discussed in detail.

The meeting rose at 12.25 p.m.