



C O N T E N T S

Agenda item 24:

Economic development of under-developed countries  
 (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 (continued) ..... 131

**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. ULLRICH (Czechoslovakia) said that the report of Mr. Scheyven and the Committee of Experts (A/2906) deserved the reception it had met with, even though the recommendations it contained required certain amendments and additions, for it marked considerable progress towards the establishment of the Special United Nations Fund for Economic Development (SUNFED). There was no doubt that that progress had been made possible by the lessening of international tension, which had contributed to the creation of an atmosphere of confidence and co-operation among nations; but world disarmament, which would set free substantial resources, would permit of still further progress towards the aim in view.

2. At the twentieth session of the Economic and Social Council, the Czechoslovak delegation had voted for resolution 583 A (XX) on SUNFED. It had also supported the six-Power draft resolution (E/L.683) which proposed that work should be started on the drafting of the Special Fund's statute. It hoped today that the industrial countries would support the thirty-two Power draft resolution (A/C.2/L.271), which was a compromise formula, and that they would take part in the work of the *ad hoc* committee. In his opinion, that was the least they could do.

3. Czechoslovakia recognized, as did also the under-developed countries themselves, that economic development must be brought about primarily by the country concerned, and that foreign assistance could play only a complementary role. Such assistance must not be subject to political or other conditions. Thus, in granting assistance, SUNFED would have to be guided,

not by political considerations, but by the real needs of the recipient countries. It would be necessary therefore, for all its members to have an equal voice in its decisions. Only in that way would the under-developed countries be able to play their proper part in the work of SUNFED. Furthermore, while SUNFED must certainly co-ordinate its operations with those of certain existing institutions, it was of the utmost importance that it should be an entirely autonomous body and not an auxiliary institution subordinated to the International Bank for Reconstruction and Development. Its structure and methods would have to be in accordance with its basic purpose: to further the economic development of the under-developed countries without any discrimination and in full accordance with the principles of the United Nations Charter.

4. The Czechoslovak delegation did not think that the activities of SUNFED should be confined to financing projects for developing the economic-social infrastructure of the countries concerned. It was of the opinion that industrialization was the basic element in all economic progress and that the main function of SUNFED should be to help the under-developed countries to develop their economies as a whole, in particular their industries. Definite recommendations should be made to that effect.

5. The Czechoslovak delegation also attached great importance to the payment of contributions in supplies, to enable SUNFED to provide the under-developed countries with machines and tools, often difficult to obtain. The Director-General of the Technical Assistance Administration (TAA) had stressed (355th meeting) the value of that form of assistance when he had stated that supplies of capital goods for the under-developed countries would further the realization of their national programmes.

6. If its work was to be effective, SUNFED must be something other than a charitable institution whose chief task would be to make grants-in-aid. Its main function must be the granting of long-term loans at low rates of interest in accordance with the recommendations of the Committee of Nine and the wishes expressed by all the under-developed countries. Only thus would it be possible to avoid the imposition on such countries of conditions contrary to their interests and to prevent foreign interference in their internal affairs.

7. The Czechoslovak delegation also thought that contributions might be payable and loans repayable in national currencies, and that SUNFED could, for example, use the resources thus acquired to provide other countries with commodities from the country making the repayment. Operations of that kind would increase the Special Fund's resources and would promote international trade.

8. By establishing SUNFED the United Nations would enable the under-developed countries to realize their economic development in independence. The Czechoslovak delegation was convinced that the General Assembly would adopt the recommendation made by the Economic and Social Council at its twentieth session in resolution 583 A (XX) and also the draft resolution submitted by the thirty-two Powers.

9. Mr. CARANICAS (Greece) said that he had noted during the debate that all representatives recognized the part which the United Nations had to play in the economic development of the under-developed countries and the value of SUNFED in that connexion. Changing political conditions and the growing interdependence of all countries clearly indicated that new forms of international economic co-operation were necessary. While the United States of America had early shown the way by providing assistance for war-devastated and under-developed countries, that assistance had been insufficient to bridge the wide gap between the industrialized countries and the under-developed countries, or even to prevent the disparity between the two groups of countries from increasing.

10. Unfortunately, it was impossible for the time being to undertake perhaps the most effective collective effort for accelerating economic progress. The Special Fund could not be compared to a Marshall Plan on a global scale, as it would not tackle bilaterally problems of reconstruction, but would work on problems of economic development on a multilateral basis. The United States was not ready to reappraise its foreign economic policy or to enter into new international economic commitments or to establish a new plan of international assistance through the United Nations. That its hesitation was not due so much to financial reasons had been demonstrated by a recent address by Mr. Burns, Chairman of the Council of Economic Advisers, who had stated that the United States had arrived at the threshold of a \$400,000 million economy and that the challenge proposed by that unprecedented prosperity was to cross the line and to go well beyond it. The attitude of the United States and also of many other industrially developed countries in marking time could be attributed mainly to the apathy of the public. The way to mobilize public opinion in support of SUNFED was undoubtedly to give wide publicity to the idea. He therefore asked the Committee to consider the necessity for taking steps, with the help of the Secretary-General and the Governments themselves, to enlighten and to arouse public sentiment, especially among the industrially developed countries. If other delegations were prepared to support such a campaign, he would be prepared to suggest an appropriate amendment to paragraph 3 of the operative part of the joint draft resolution.

11. It had also been asked whether the establishment of SUNFED should be connected with disarmament. In that connexion, he thought that the plan proposed by Premier Faure of France at the Geneva Conference would provide an interesting basis for discussion, because it was designed to forestall the economic recession which might result from a substantial reduction in armaments. In his opinion, the establishment of the Special Fund should not depend on the reduction of armaments, for SUNFED would greatly help to restore international economic equilibrium and consequently to lessen international tension, and that in turn would enable military expenditures to be reduced and

bring world disarmament nearer. The relatively modest annual contributions required by SUNFED would not endanger the defence programmes of the industrialized countries, in view of the enormous credits at present allocated for that purpose by countries like the United States and the United Kingdom. In creating, through the additional help of SUNFED, a more balanced international economy, world tensions might ease as well as military burdens, through the gradual reduction of national military establishments. The burden of the taxpayer in the developed countries might be reduced at the same time.

12. The only purpose of the joint draft resolution was to make possible a theoretical explanation of the precise structure of a new international institution, with a view to facilitating future discussions in the General Assembly; it did not require countries to commit themselves to participation in the Special Fund's operations. It was in fact impossible to take a firm stand in the matter, since the countries which would have to play the leading parts in the enterprise were not yet ready to give it their support. It was therefore necessary to wait for them to do so willingly and whole-heartedly. The joint draft resolution had been drafted in very modest terms, so that it could win the unanimous support of the members of the General Assembly.

13. Turning to the principal recommendations in the new report on the Special Fund, he emphasized that the lending methods followed by the Special Fund would be very different from those of the Bank. He agreed with the view expressed by the President of the Bank in his letter of 25 August 1955, that "loans repayable in local currency might be a useful tool in the field of international aid if used judiciously and in appropriate cases" (A/C.2/187), but disagreed with him on the other points. In 1953 and 1954 the Greek delegation had emphasized the importance of the question of the interest on loans granted by the Special Fund. In his opinion, the Special Fund's lending operations should be confined to long-term, no-interest loans, as the servicing of loans imposed an extremely heavy burden on borrowing countries. He mentioned, in order to illustrate the burden of borrowers in the long run, the case of Greece which, in the span of a century, had paid to its creditors in interest and repayment instalments more than the proceeds of foreign loans, and continued to owe approximately as much as the entire proceeds of those loans. The *ad hoc* committee envisaged in the draft resolution should therefore re-examine the question of no-interest loans, the more so as in the opinion of the President of the Bank, loans at concessional rates were in the same category as loans bearing no interest.

14. With regard to the relationship between the Bank and the Special Fund, he felt that the legitimate desire to avoid the creation of a new international bureaucracy should not be pushed so far as to make the Special Fund directly dependent on the Bank. The operations of the Special Fund would be in essence different from those of the Bank. If the International Finance Corporation had a different juridical personality from that of the Bank, although its operations would not be so dissimilar, then the structure and the juridical personality of the Special Fund should be quite apart from that of the Bank as its operations would not be based on banking principles. The Special Fund should have its own staff, however small, and its own secretariat. Moreover, the Bank would be un-

able to carry out studies and research needed for establishing co-ordinated programmes for economic development without additional staff.

15. With reference to the kind of projects which the Special Fund should finance, he drew attention to the USSR representative's statement (371st meeting) that the Special Fund should mainly finance the industrialization of the under-developed countries and should not spread its activities to a variety of fields. He did not share that view. The under-developed countries were not all at the same stage of development and the Special Fund, in co-operation with the other international agencies or international lending institutions, would have to place the emphasis on infrastructural work or industrial projects, depending on the individual needs of the countries concerned.

16. Mr. PASTRANA (Colombia) thanked Mr. Scheyven for his brilliant statement (366th meeting). By a curious paradox, the pessimistic part of his statement seemed to have helped to give a frankly optimistic turn to the discussion.

17. With regard to the view that the establishment of the Special Fund must be linked with disarmament, he said that, as his delegation understood it, there had never been any question of making economic development dependent on world-wide disarmament. There was much more chance of maintaining peace in a prosperous world than in one in which poverty prevailed. His delegation fully appreciated the efforts the great Powers were making to ensure the maintenance of international peace and security, but felt that disarmament was not the only means of achieving that end. Moreover, in considering the possibility of using the savings made possible through disarmament to supply the Special Fund, it was important to remember that those resources should constitute only an additional source of funds. It would be unwise to wait until such savings were available before undertaking the immense task of raising the standard of living of the peoples.

18. He did not underestimate the important contribution the industrial countries had made through bilateral action, particularly since the Second World War, but felt that it should be stated frankly that the under-developed countries now preferred international action to bilateral aid. They felt that the era of bilateral agreements, with the political dissension they sometimes caused in both beneficiary and donor countries, was over. The time had come to intensify multilateral action and to strengthen international co-operation.

19. It was sometimes argued that only the under-developed countries would benefit from the establishment of an economic development agency. The facts were otherwise. The industrial countries would also derive indirect but real benefits. For example, with the \$10 million loan made by the Bank, Colombia had been able, not only to mechanize its agriculture, but also to import \$30 million worth of agricultural machinery from the United States and Europe. The Bank had thus help to expand the export trade of those areas. Similarly, the International Finance Corporation, while assisting industry in the under-developed countries, would help foreign investors to whom it would offer sound investments. Agencies of that type were thus useful to all countries and contributed to the stabilization of international trade. They helped to increase the production of raw materials in, and to raise the

purchasing power of, the under-developed countries and thus to open up new markets for countries producing manufactured goods.

20. With regard to contributions to the Special Fund, it seemed unlikely that they would impair the balance-of-payments position of the great industrial countries, as some feared. The initial capital of \$250 million suggested by Mr. Scheyven and the Committee of Experts was not unduly large. It was certainly not sufficient to meet all needs, but it would make it possible to carry out important projects which would have the multiplier effect to which Mr. Scheyven had referred. According to the United Kingdom representative, the multiplier effect would create new needs which would compel the participating countries to make further contributions. His delegation felt that that multiplier effect would, on the contrary, ensure, as Mr. Scheyven had stated (A/C.2/187) that the mobilization of the resources of the under-developed countries. Consequently, there was no question of establishing an agency whose capital, although initially limited, would later be very rapidly increased.

21. It was unnecessary to recapitulate all the arguments in favour of the establishment of the Special Fund, but it should be noted that domestic savings in the under-developed countries were so low that it was absolutely impossible for them to carry out alone an undertaking which required heavy capital investment. The Special Fund would afford powerful assistance in the task of economic and social rehabilitation and its operations would logically complete the work of the technical assistance programmes and the activities of the Bank and various other international bodies. In view of the remarkable results achieved, thanks to the American Rockefeller, Carnegie and Ford Foundations, it was legitimate to place the highest hopes in the proposed Special Fund.

22. The under-developed countries were often reproached with wishing to proceed too fast in the matter of international economic aid. It should perhaps be pointed out that the situation in many under-developed countries was in fact very grave and that what was at stake was not merely the progress of a people but in many cases its very life. The United Nations Charter imposed on all nations the duty of urgently solving the problem.

23. Mr. CONROY (Canada) said that Canada was fully aware of the need to accelerate the economic development of under-developed countries. The Special Fund was only one method of doing so. Other schemes, both multilateral and bilateral, were already functioning, and the under-developed countries themselves were also making considerable efforts.

24. The cause of the under-developed countries was close to the hearts of the Canadian people, and although Canada itself was still developing, it had made its contribution to that cause during the last decade. It was, for example, one of the two countries which had made its entire 18 per cent capital subscription to the Bank available for lending. It had signed the Articles of Agreement of the International Finance Corporation, and had deposited its instrument of acceptance. It was proposing in 1956 to increase by 20 per cent its contribution to the Expanded Programme of Technical Assistance. It was a contributor to the Colombo Plan; and it had also furnished substantial aid to the United Nations Children's Fund, the United Nations Relief

and Works Agency for Palestine Refugees in the Near East, the United Nations Korean Reconstruction Agency and other international aid programmes. Furthermore, considerable Canadian capital had been flowing to the under-developed countries. In short, Canada could be said to have done everything within its power, having regard to the demands of its own economy and the obligations it had assumed in connexion with international security. Further demands could only be assumed by Canada at the expense of other domestic or foreign programmes which must be maintained in the interest of all.

25. Canada, by supporting General Assembly resolution 724 A (VIII), had approved the principle of the eventual establishment of a fund for economic development within the framework of the United Nations—a fund which might or might not resemble the present version of SUNFED—on the basis of savings resulting from a world-wide reduction in expenditure on armaments. No doubt the climate of international affairs was encouraging, but it would be unwise at present to reduce armaments expenditure substantially. The reductions made so far were not sufficient to justify embarking on projects such as the Special Fund, which might well have to await an agreed programme of world-wide disarmament. Moreover, the International Finance Corporation had just been set up, and it would be prudent to take advantage of the experience gained from its early operations before considering embarking on an even more ambitious project.

26. It would be better not to go ahead unless success were assured, and it might be unwise to attempt to establish the Special Fund before the essential resources were forthcoming. Political and economic realities must be kept in mind, and it would be premature to take steps leading towards the setting-up of a Special Fund which would have the effect of establishing rigid positions to the detriment of future proposals.

27. He welcomed the spirit of moderation evident in the joint draft resolution, though he had reservations to make on its provisions; and he hoped that a revised resolution could be drafted which would be acceptable to all the members of the Committee.

28. Mr. PALACIOS (Guatemala) said that the Guatemalan delegation eagerly awaited the setting up of the Special Fund, which would help to raise the standard of living of the under-developed countries. It was gratified to note that the differences of opinion were no longer concerned with the actual establishment of the Special Fund, but merely with the timing of its establishment.

29. The industrialized States had said that they could not consider the establishment of the Special Fund until the more substantial resources which would be freed by general disarmament were available. He appreciated their misgivings; he too felt that political security and stability were vital to the very existence of States. Accordingly, he wished to thank those Governments which had announced their willingness to play their part in the Special Fund without making their participation dependent on any reduction in their military expenditure, particularly as disarmament could not be lightly undertaken until such time as the great

Powers were in agreement as to the solution of the social problems—themselves due mainly to economic difficulties—which beset a large part of mankind. He hoped that the establishment of the Special Fund would help to bring about agreement among the great Powers, and that the Special Fund would turn out to be a real instrument of peace and amity. Poverty and want were factors in political agitation, and encouraged the armaments race and the waste of resources which otherwise might be used for constructive purposes.

30. With regard to the joint draft resolution, the Guatemalan delegation had been glad to be a co-sponsor, as it felt that even if no resources were forthcoming at present, it was important to determine what the structure of the Special Fund was to be, and to define the principles which would govern its operations. To that end, an *ad hoc* committee should be set up to study any observations which Member States might wish to make on the scope of the new body and its relationship with the Bank and TAA, so that everything would be ready by the time the great Powers decided to take part in it.

31. He thanked the delegations of those industrial countries which had announced their readiness to support the draft resolution. The draft resolution would enable a further advance to be made towards the development of the under-developed countries.

32. Mr. STENBERG (Norway) felt that in spite of the considerable progress made, caution was necessary if the present achievements were not to be thrown away. In submitting their text, the thirty-two sponsors of the joint draft resolution, in other words a majority of the members of the Committee, had introduced an element of rigidity into the negotiations. Considering the many different views involved, concessions were called for on all sides if the scheme was to be unanimously adopted. The Norwegian delegation, accordingly, proposed that the sponsors of the draft resolution should select a small group with power to carry through the negotiations and to make any amendments necessary. It was satisfied that the scheme embodied useful proposals, and no effort should be spared to reach agreement.

33. The Norwegian Government was of the opinion that the establishment of the Special Fund should not be postponed until world-wide disarmament had become a reality. It had already indicated that it was prepared to participate in the Special Fund provided that the leading industrialized countries did the same, and that the initial capital amounted to at least \$250 million. Norway's share would be in the same proportions as its contribution to the Bank and its proposed contribution to the International Finance Corporation. His Government had not committed itself on the question of replenishment of the Special Fund. That was an important point which must be cleared up, along with a number of other points already mentioned by the Swedish representative (347th meeting).

34. Mr. Scheyven had successfully accomplished a difficult task, and the Norwegian delegation was happy to see that the sponsors of the joint draft resolution had prominently expressed the appreciation his efforts deserved.

The meeting rose at 5 p.m.