



Monday, 17 October 1955,  
 at 10.50 a.m.

New York

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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);**
- (b) **Question of the establishment of an International Finance Corporation: report of the Economic and Social Council (A/2943);**
- (c) **Programmes of technical assistance: report of the Economic and Social Council (A/2943)**

**GENERAL DEBATE *(continued)***

1. Mr. LIRA MERINO (Chile) felt that world public opinion should be informed of the reasons why the efforts towards international co-operation so clearly recommended by the United Nations Charter had not proved as successful as anticipated.
2. Accordingly, he reviewed the attempts at international co-operation since Bretton Woods. The Bretton Woods Conference had resulted in the establishment of the International Bank for Reconstruction and Development and the International Monetary Fund, but the reconstruction made necessary by the ravages of the war was out of all proportion to what the two agencies could do, and, unfortunately, could not be entirely completed, despite unilateral efforts like the Marshall Plan or collective projects like the Mutual Security Program.
3. Similarly, all that could be done on the academic level, that is, through university studies, reports of national and international experts, the United Nations regional economic commissions, the Bank's technical missions, the Fund's financial missions, the work of the Food and Agriculture Organization of the United Nations (FAO) and other specialized agencies, showed

that there was an enormous disparity between the magnitude of the problems to be solved and the inadequacy of the means available to cope with them.

4. Some countries had tried to solve their problems through a system of international, but not universal, co-operation. The regional arrangements in Europe (Organization for European Economic Co-operation, European Payments Union, Schuman Plan *et cetera*), in Asia (Colombo Plan) or in America (Tenth Inter-American Conference, meeting of Finance Ministers in Rio de Janeiro) showed that the problems could not be solved by a single country, however powerful it might be.

5. In view of those attempts, it was unfortunate that some economically powerful countries which virtually controlled the world flow of public or private capital were still refusing assistance to countries unwilling to apply methods and measures which could not work any more in our times. As examples, there were the Inter-American Fund for industrial, agricultural and mining development, proposed by the group of experts of the Economic Commission for Latin America (ECLA), and the study of an Inter-American finance system, which had failed to secure financial support from those powerful countries.

6. In international trade, although production levels had risen in many countries, the differences in levels of development as between various regions had resulted in great instability on the world market. Governments were still placing restrictions on international trade and payments and, as the Head of the Chilean delegation had stated in the General Assembly (522nd plenary meeting), the international economy was threatened with a crisis not of over-production, but of under-consumption.

7. In short, as the Secretary-General had stated at the twentieth session of the Economic and Social Council (871st meeting), it should be borne in mind that, although the international community had made great strides in economic development as compared with pre-war conditions, the steps taken represented an infinitesimal part of the work to be done and were certainly not adequate to resolve the problem.

8. While he did not wish to deny the value of the Expanded Programme of Technical Assistance, nor the quality of its work, which enabled under-developed countries to take advantage of scientific and technical progress, technical assistance could not bridge the gap between academic research and action.

9. The highly developed countries should not, of course, be made to bear all the responsibility for the progress of the under-developed countries. However, inasmuch as they were seeking markets for their goods and needed the raw materials produced in the under-developed countries, it was in their interest as well to

speed the economic development of the under-privileged areas.

10. Referring to the constructive accomplishments of the Bank and other specialized agencies and the future establishment of the International Finance Corporation, he asked whether those two agencies would give sufficient impetus to economic development to enable under-developed countries to reach the desired level. Notwithstanding the efforts of the under-developed countries to attract private capital, they could not succeed unless they offered not only safe investments, but investments yielding immediate returns. In the circumstances, the only logical solution was the establishment of the Special United Nations Fund for Economic Development (SUNFED), which would make it possible to finance projects which were not immediately profitable.

11. In that connexion, he hoped that the international situation, which was now being tempered by what was called "the spirit of Geneva" or "the spirit of Bandung", would facilitate the establishment of the Special Fund, just as the Bretton Woods Conference had facilitated the establishment of the International Monetary Fund and the Bank.

12. Mr. ULLRICH (Czechoslovakia) said that the economic development of the under-developed countries was one of the most important and serious economic problems of the world today because, in recent years, the already low national income of those countries had not continued to rise at a steady pace.

13. The key issue was that of industrialization, which was barely under way in the under-developed countries and raised substantial difficulties in relation to securing the necessary financial means and capital goods. The immediate problem was to accelerate industrialization, and the method most favoured was the full utilization of the national resources of each country and progressive industrialization by building up basic industries and co-ordinating development in the other branches of the national economy. Some countries, like India, Burma, Indonesia and Egypt, had set out to achieve the independent development of their economies, a prerequisite for their national independence, and had been very successful. The resolutions of the Bandung Conference and the documents of ECLA also showed how much weight was placed on the development of economies independently. Industrialization, it should be noted, should also be to the advantage of the advanced countries because it helped to increase international economic co-operation inasmuch as it created an expansion of internal markets and a development of foreign trade, which might alleviate the growing imbalance in the exchange of goods between the under-developed countries and other countries.

14. The under-developed countries also expected that their development would go forward more rapidly with the peaceful uses of atomic energy. In that connexion, the industrially advanced countries should enable the under-developed countries to share in the application of recent epochal scientific discoveries as soon as possible. Czechoslovakia considered that the under-developed countries should be helped to acquire the necessary knowledge of the most modern methods and technology in that sphere.

15. The economic development of the under-developed countries required considerable financing and many countries recognized that all domestic financial resources, including the proceeds from foreign trade, must be

mobilized. The People's Republic of China and India were two striking examples of countries financing their development mainly out of their domestic resources, with living standards and national income continuing to increase none the less.

16. The fact remained that the resources of under-developed countries were limited and that they needed financial assistance from abroad in order to accelerate their economic development. However, such assistance could play a part only as a supplementary source of income, must be accorded on a commercial basis and must not affect the sovereign rights of the recipient countries. In that connexion, the Czechoslovak delegation would remind the Committee that the General Assembly was to take a decision concerning the future of SUNFED. His delegation believed that the Special Fund would represent real progress and a useful contribution to the strengthening of economic co-operation among nations under conditions of peace and international understanding. It could provide considerable assistance to the under-developed countries, particularly if its financial means came from the reduction of armaments. That, incidentally, was what the Soviet Union had had in mind in the proposals it had submitted to the Disarmament Sub-Committee; the Czechoslovak delegation fully approved the USSR suggestions concerning disarmament, the reduction of armaments and the prohibition of atomic and hydrogen weapons. Agreement on those questions would be in keeping with Articles 55 and 56 of the Charter. The Czechoslovak Government had supported resolution 583 A (XX) of the Economic and Social Council on SUNFED and was prepared to consider the possibility of co-operating in the Special Fund, if it was established.

17. The economic development of under-developed countries also depended on effective measures to strengthen their economic and political independence. One of the important tasks of the United Nations was to assist peoples in the fulfilment of their national aspirations as well as to promote international economic co-operation, which was of paramount importance for the economic development of under-developed countries. The recent relaxation of international tension should be conducive to a favourable atmosphere for the development of international co-operation and of international trade, in particular. That was important, for foreign trade was generally recognized as one of the principal means of bringing about the industrialization and integrated economic development of under-developed countries. Its significance for that purpose in each particular country was directly dependent on the type of commodities exported, the volume and stability of export earnings, the nature of imported goods and the terms of trade. It was well-known that forcing under-developed countries to specialize in the production of one or two raw materials for export intensified their dependence on foreign trade. Moreover, in recent years, their terms of trade had continually worsened; insufficient outlets, instability in export markets, and currency and payments difficulties had confronted them with many problems. Thus, the important thing was to stabilize the prices of primary commodities and to expand international trade under normal, just and mutually advantageous conditions. Such countries must be helped to maintain their economic stability and to fight against inflation. In that connexion, there was every reason to welcome the creation of the Commission on International Commodity

Trade, which had as its object the establishment of a just ratio between the prices of primary commodities and manufactured goods. The Czechoslovak delegation hoped that the proposals submitted to the Council by the Commission would serve that purpose.

18. The Czechoslovak Government had always considered foreign trade as an instrument in the service of world peace and that was why it sought to expand its trade relations with all other countries, irrespective of their social systems and with due regard for the interests of the parties concerned. In the past, Czechoslovakia had developed its trade relations with the under-developed countries of Asia, Latin America and Africa, and since 1954 its trade with those countries had risen by 45 per cent. The under-developed countries represented a natural outlet for Czechoslovak industry and particularly for its highly developed engineering industry. In their turn, under-developed countries supplied Czechoslovakia with mineral and agricultural commodities. Czechoslovakia offered them permanent markets and was ready and willing to enter into long-term trade contracts with them. Clearly, it was wholly in the interests of Czechoslovakia and the under-developed countries to strengthen their commercial ties in view of the complementary character of their economies. In addition, some of the peoples' democracies were in a position not only to supply installations of entire plants but also to grant credit and high-quality technical assistance; that applied, for example, to the German Democratic Republic, Czechoslovakia and Romania. Thus the peoples' democracies, like the Soviet Union, were assisting under-developed countries in the realization of their programmes of economic development.

19. However, under-developed countries were in need not only of capital, but of sufficient technical assistance to enable them to raise their standards of technical knowledge to the level of the industrialized countries. In his view, such technical assistance should concentrate on production and related problems. In that connexion, it was interesting to note the technical assistance network that had developed among the Soviet Union, the People's Republic of China and the peoples' democracies; it included technical assistance in the use of atomic energy for peaceful purposes.

20. Czechoslovakia had expressed its willingness to accord technical assistance to other countries within the scope of the United Nations Expanded Programme of Technical Assistance. In 1956 it would contribute to the Expanded Programme the same amount as in past years. It welcomed the fact that in 1956, and subsequent years, greater emphasis was to be placed on the role and requirements of recipient countries in the determination of assistance programmes. So far as Czechoslovakia was concerned, it was willing to grant assistance in many fields and it was not to be blamed for the fact that its contribution had hitherto been used only for deliveries of capital goods. It was prepared, for example, to send specialists to under-developed countries, to train experts and workers from those countries, and to supply training equipment.

21. In addition, Czechoslovakia furnished more technical assistance on a bilateral basis under trade agreements with a number of countries, and would continue to expand that type of assistance. It was also willing to establish technical advice centres in countries which so desired.

22. Finally, while his delegation followed the efforts of under-developed countries with the greatest interest and was fully aware of the obstacles still to be overcome, it considered the recent changes in the international atmosphere a good omen for their economic development. The solution of that question would be of paramount importance not only in raising higher living standards among the peoples of those countries but in creating greater prosperity and stability of the world economy in general.

23. Mr. HAKIMI (Afghanistan) observed that one of the principal features of the modern age was the interdependence of all nations and the immense resources still awaiting exploitation in many of them. Although economic development was of interest primarily to the under-developed countries, the problem was a world problem, and international technical and financial co-operation was not only desirable but in the general interest. Moreover, economic development was only a means of achieving the final objective of raising the standard of living in the under-developed countries.

24. On the technical level, the United Nations technical assistance programme was extremely valuable and his delegation hoped that it would be further expanded so as to provide more assistance to under-developed countries that sought to increase their agricultural and industrial productivity.

25. On the financial level, the delegation of Afghanistan noted with satisfaction that it appeared to be practically decided that there would be an International Finance Corporation. It would have liked to be able to say the same of SUNFED; only SUNFED would make it possible for under-developed countries to take immediate advantage of expert advice from the United Nations and the specialized agencies. What was more, the present improvement in international relations was conducive to the establishment of the Special Fund.

26. He further stated that his country was rich in agricultural and mineral resources; however, the process of developing those resources had suffered much from foreign invasions in the course of history. Aware of the need for a well-integrated development programme, the Government of Afghanistan had drawn up a national plan which included many agricultural and industrial programmes and gave priority to the development of agriculture, transport and international trade.

27. For many of those programmes, Afghanistan had obtained long-term loans from the United States Export-Import Bank and the International Cooperation Administration.

28. His country had also become a member of the International Bank for Reconstruction and Development and of the International Monetary Fund, and had already applied to the Bank for loans for a number of programmes.

29. Moreover, his Government had sought to encourage foreign investment by means of legislation protecting foreign capital.

30. However, there was still much to be done to achieve a satisfactory standard of living in his country. For example, the industry of Afghanistan, still in its infancy, could supply only 20 per cent of the population's requirements.

31. Finally, he wished to thank the Technical Assistance Administration, the specialized agencies and the

United States of America for their considerable contributions to the economic development of his country.

32. Mr. DAMLUJI (Iraq) while welcoming the progress made over the last ten years in the political field, stressed the important part which the United Nations still had to play in the economic sphere. The Secretary-General in his annual report (A/2911) had stated that in the situation which appeared to be developing, the role of the United Nations should acquire a new diplomatic and political significance. The delegation of Iraq wished that the word "economic" had been added here, for no political progress could be lasting unless it was accompanied by economic progress. He was anxious to see the day when the United Nations could boast of economic progress as significant as that already attained in the political field. In that connexion, the effort expended by the United Nations and the specialized agencies in promoting the economic development of the under-developed countries was of the utmost importance, and had done much to promote faith in the world Organization. The United Nations could not, however, be expected to solve all the problems arising in that field; economic development was primarily the task of the countries concerned, and most of those countries had in fact undertaken projects for social and economic advancement, which in many cases had already produced outstanding results. Iraq, for example, was devoting 70 per cent of the revenue derived from its oil industry to such projects as hydro-electric development, flood control, transportation and social services. Government banks were extending credit to agriculture and industry, and the five-year plan adopted early in 1955 by the Iraqi Parliament should enable the country to meet many of the people's most essential needs.

33. That example afforded evidence of the sincere efforts made by the under-developed countries in trying to bridge the gap separating them from the industrialized countries. The United Nations should encourage those efforts by intensifying technical assistance. Iraq had already decided on a substantial increase in its 1956 contribution for technical assistance. The increased contribution promised by the United States also set an example which, he hoped, the other participating States might follow, so that the process of assisting the under-developed countries might be a truly co-operative international endeavour.

34. He also hoped that, with greater funds at their disposal, the Technical Assistance Board and the Technical Assistance Committee might send a higher calibre of experts to the under-developed countries, in order to assist in the solution of problems which gained in complexity as the economy developed. Lastly, steps might well be taken to reduce to a minimum the inevitable delay between the submission of a request for assistance and the time when such assistance was actually given.

35. Mr. U Khin Hla MAUNG (Burma) emphasized his country's lively interest in the question of economic development. Burma was not merely an under-developed country; it also had to repair the grievous damage caused by war to its agriculture and industry. Its need of investment was consequently boundless. In 1952, it had introduced an eight-year programme for economic recovery; in view, however, of the country's position and the steady growth of the population, the national resources were insufficient for the successful completion

of that task. For several years, Burma had received technical assistance from the United Nations and the specialized agencies. In many fields, it had made good use of the advice of experts provided by the Technical Assistance Administration, the International Labour Organisation, the Food and Agriculture Organization of the United Nations, UNESCO, the International Civil Aviation Organization, the World Health Organization and the United Nations Children's Fund. It had also obtained, under the programmes organized by those bodies, equipment and fellowships for advanced training. Furthermore, under the Colombo Plan, to which it belonged since 1952, it had received substantial aid from Australia, New Zealand, the United Kingdom, Canada and India.

36. Having such need of outside assistance to develop its economy, Burma naturally supported the technical assistance programmes of the United Nations and the specialized agencies and welcomed the fact that the sums earmarked for those programmes in 1956 exceeded the figures for the preceding year.

37. It was, nevertheless, unfortunate that technical assistance, although substantial, remained inadequate to enable the under-developed countries to bridge the gap separating them from the industrialized countries, which were advancing at an even faster rate. It was to be hoped that atomic energy would soon be available to assist economic development. Meanwhile, Burma unreservedly supported the proposal for the establishment of an International Finance Corporation. It hoped that all the under-developed countries would follow suit, so that that institution could be set up at the earliest possible moment.

38. As to SUNFED, Mr. Scheyven and his assistants deserved congratulations for their remarkable report (A/2906). While reserving his right to return to that question when the Committee came to consider it in detail, he would at once make it clear that Burma would give its unqualified support to any measures designed to speed the establishment of that body.

39. Mr. KAYALI (Syria) said that the efforts made hitherto by the United Nations in the field of the economic development of under-developed countries had yielded very inadequate results. There could be no justifiable excuse for that failure if its consequences for the people concerned were borne in mind. The extremely complex problems of world economy would have been solved, at least in part, if there had been more human understanding and a greater readiness to forget political interests.

40. He recalled the long and detailed discussions about SUNFED which had taken place in the Second Committee. The Committee had divided into two groups representing, respectively, the under-developed countries and the industrialized countries. The former had fought vigorously to persuade the Committee to recommend the project while the latter had been equally vehement in their opposition. That question was again before the Committee, in this unique year which had witnessed the Bandung Conference and the emergence of the Geneva spirit. In the new atmosphere created by those events, international public opinion, which was all-powerful, demanded more tangible achievements from the United Nations. It was gratifying that the importance of public opinion was becoming understood, as its motives were more noble and human than those of Governments primarily influenced by economic inte-

rests. Public opinion was responsible for the changed attitude manifested by the industrial countries towards projects vital to the welfare of the under-developed countries.

41. Syria, nevertheless, appreciated the limited efforts made by the United Nations and the specialized agencies, with the restricted financial resources, in the field of technical assistance. The results achieved doubtless fell short of what was to be expected, but it was reassuring to the world to know that the United Nations could successfully carry out a large-scale economic task. Syria had certainly profited from technical assistance and hoped that the allocation of increased funds would enable the bodies concerned to make a greater contribution to the country's development.

42. It was beyond doubt that the already marked differences between the levels of living in industrialized and in under-developed countries were increasing more and more; that fact imperiled peace and stability in the entire world. All peoples aspired to economic equality, desiring approximately similar standards of living. That objective could not be attained in the immediate future, but natural human instincts had to be remembered. Otherwise, a full-scale war might be precipitated as most wars were primarily due to economic factors.

43. In that connexion, he noted that the use of atomic energy for peaceful purposes would make it possible to narrow the gap between standards of living and to accelerate economic development. However, the under-developed countries must take full advantage of the consequences of the atomic revolution if they were not to see themselves still further outstripped by the industrialized countries. The Syrian delegation therefore welcomed whole-heartedly the Norwegian representative's invitation to a number of foreign students to study the peaceful uses of atomic energy in his country. A method must be worked out whereby the under-developed countries would be able to make use of atomic power as soon as, or even before, the more highly developed countries.

44. In order to secure the desired results, the industrialized countries must provide assistance to the under-developed countries without imposing conditions which, as had hitherto always been the case, directly or indirectly impaired the sovereignty or the freedom of the beneficiary country. In his view, technical assistance should be divorced from all political considerations. In that connexion, bilateral agreements were dangerous because they might involve political interference; that was clear even within the United Nations, where certain countries modeled their political attitude on that of the Powers which were granting them assistance.

45. International assistance now bore a new aspect from the point of view of both aims and methods. For a long time, it had been the near monopoly of the Western Powers, whose interests and methods more or less coincided in the political field. Now the USSR had declared itself willing to provide the under-developed countries with assistance similar to that provided by the Western countries, but possibly with different aims and methods. Assistance was thus becoming competitive, and since all competition worked to the benefit of the consumer, the political price which the under-developed countries must pay to receive assistance would certainly go down. Perhaps the under-developed countries might even reach a point where they could accept the assistance offered without fear of losing their

freedom of political action. Nevertheless, Syria remained convinced that the only constructive assistance from which the under-developed countries could profit was the assistance granted through United Nations organs, and under the collective control of the United Nations.

46. Mr. BOIKO (Ukrainian Soviet Socialist Republic) thought that the recent relaxation in tension in the international situation would contribute to a favourable solution of the economic problems with which the Second Committee was concerned and in particular the problem of financing economic development in under-developed countries.

47. He noted that some of the participants in the discussion had expressed the opinion that, in recent years, there had been no substantial increase in the flow of capital into under-developed countries despite the steps taken in those countries to attract foreign capital. Obviously, the potential big foreign investors considered that the profit which they could obtain was insufficient. In that connexion, he drew the Committee's attention to one of the aspects of the proposal for restricting the activities of the Special Fund on the basis of the limitations of the so-called social and economic infrastructure.

48. As was known, the supporters of that proposal considered that the field for profitable investment of foreign private capital should be prepared by spending the resources of the under-developed countries and of the Special Fund mainly on non-self-liquidating projects such as the training of personnel, the building of hospitals, administrative premises and dwellings, roads *et cetera*.

49. That idea was motivated by the desire to raise the effectiveness of future investments and thus create a more attractive situation for foreign private capital. However, the use of Special Fund resources in that way might be understood as an attempt to secure higher profits for foreign investors at the expense of the Special Fund.

50. The Ukrainian SSR delegation considered that the resources of the Special Fund should be directed, first and foremost, to the promotion of the development of the economy and the industrialization of the under-developed countries. If the purpose of the Special Fund was understood in that way, the Ukrainian delegation was in favour of its establishment. The Ukrainian delegation hoped that the proposal which the USSR delegation had expressed at the twentieth session of the Economic and Social Council (886th meeting) concerning the possibility of making contributions in kind to the Special Fund in the form of equipment, machinery and materials would be supported in the Second Committee. The availability of some means of production through the Special Fund would facilitate the establishment of a better balance between industrial goods and raw materials on the international market. That in turn would improve the balance of payments in under-developed countries and increase their foreign trade activity.

51. The healthy economic development of the under-developed countries was possible only if they could increase their own resources and expand their foreign trade relations with all countries which desired to trade with them on mutually beneficial conditions.

52. Outside aid would prove to be a useful additional factor only when it did not lead to the subjugation of



the economies of under-developed countries to foreign capital.

53. In accordance with those principles the USSR was giving help to India in the construction of a large iron and steel combine. The USSR was not attempting to acquire any property rights in the assets of that enterprise or the right of receiving any share in the profits from its future activities. A number of Ukrainian plants were helping to manufacture equipment for that combine.

54. India, which was completing its first five-year plan, had already begun drawing up a second five-year plan. India was planning to double the use of its own resources for its financing. Burma, Egypt, Afghanistan and other countries were also making great efforts to increase their own resources for the purpose of financing their development programmes.

55. The United Nations for its part must spare no effort to increase its aid to under-developed countries for the development of their national economy. The Ukrainian SSR had contributed one million roubles to the Expanded Programme of Technical Assistance for 1954-55. However, the delegation of the Ukrainian SSR regretted that a considerable part of the contribution had not yet been used and it hoped that steps would be taken to avoid similar delays in future.

56. In order to assist in the implementation of United Nations technical assistance programmes, the Ukrainian SSR was ready to provide equipment and specialists for under-developed countries and to receive foreign personnel for training in the enterprises and establishments of the Republic.

The meeting rose at 1.5 p.m.