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Chairman : Prince WAN WAITHAYAKON (Thailand).

Economic development of under-developed countries : report of the Economic and Social Council (chapter III) (A/1884¹ and A/1924) (*continued*)

(a) Financing of economic development of under-developed countries (A/C.2/L.77, A/C.2/L.79 and Corr. 1 and 2, A/C.2/L.83 and Corr. 1 and Add. 1 to 3, A/C.2/L.86 and Corr. 1, A/C.2/L.96 and A/C.2/L.99) (*continued*)

[Item 26]*

After an exchange of views on the procedure to be adopted in considering the various draft resolutions on financing of economic development, the Committee decided first to hold a general debate on all the draft resolutions submitted, then to consider and vote separately on the Ecuadorean draft resolution (A/C.2/L.79 and Corr.1 and 2) which concerned a specific and individual question, then to revert to the other draft resolutions.

1. Mrs. LINDSTROM (Sweden) noted that the Committee would have to select from among the draft resolutions submitted those which merited adoption and deserved to constitute directions to the Economic and Social Council. The draft resolutions would perhaps be referred at a later date to a drafting committee, but comment on them was necessary at that stage.

2. The Ecuadorean draft resolution (A/C.2/L.79 and Corr.1 and 2), was designed to facilitate private investment by eliminating legal and administrative obstacles; it seemed most useful and the Swedish delegation had no objections to it.

¹ See *Official Records of the General Assembly, Sixth Session, Supplement No. 3.*

* Indicates the item number on the General Assembly agenda.

3. The draft resolution submitted by Chile (A/C.2/L.77), the joint draft resolution of Burma and Cuba (A/C.2/L.83 and Corr. 1 and Add. 1 and the Yugoslav draft resolution A/C.2/L.99) were designed to encourage long-term, low-interest capital investment. They were addressed to the lending countries and provided for the establishment of a new international financing agency. She saw no need to set up an organization of that kind, since the operations of the International Bank for Reconstruction and Development, the majority of whose Executive Directors were representatives of under-developed countries, were becoming increasingly effective. According to the Economic and Social Council's report, the Bank had no difficulty in obtaining the funds it needed; it had acquired new financial markets and had extended its loans to Africa, the Near East, Southern Asia and Australia, whereas the borrowing countries availed themselves of the sums placed at their disposal only very slowly because of their difficulty in obtaining capital goods. Hence, the volume of the Bank's loans to the under-developed countries corresponded to the latter's capacity to absorb new capital. In those circumstances, the establishment of a new agency would only mean that the Bank's operations would become less, instead of more, effective. The Bank's loan policy could, however, be liberalized if it were authorized to make loans to private undertakings, without government guarantee, or, in co-operation with private capitalists, to make equity investments.

4. The Swedish delegation, therefore, did not support the draft resolutions submitted by Chile, Burma and Cuba and Yugoslavia. That, however, did not mean that Sweden did not want long-term, low-interest loans. Sweden hoped to be able to increase substantially its contribution to the technical assistance programme during the next financial period; there was little desire on the part of Swedish private enterprise to invest in

the under-developed countries. She therefore felt no compunction in stating that the recommendations to the lending countries should be balanced by other recommendations to the borrowing countries. The atmosphere of distrust and uncertainty and the threat of arbitrary governmental decisions which might go as far as confiscation, discouraged private investments unless the lending country guaranteed the capital exported or negotiated agreements providing for fair treatment for its foreign investments. In the absence of such guarantees, it was natural that foreign capitalists should wish to protect their interests by asking high interest rates.

5. Not one of the draft resolutions submitted noted that arrangements favourable to foreign capital must be made if the influx of such capital were to be encouraged. The joint Burmese-Cuban draft resolution barely touched on the question in requesting the Economic and Social Council to study fiscal reforms. The draft resolution submitted jointly by Brazil and Greece (A/C.2/L.86 and Corr.1) went more to the root of the matter by referring to Council resolution 368 (XIII) and requesting it to continue its studies of financing and finding practical ways and means for developing under-developed countries.

6. The Committee should give greater emphasis to the view expressed in resolution 368 (XIII), and particularly in paragraph 6 of that resolution which recommended that borrowing countries should provide adequate assurances with respect to the treatment to be accorded foreign investors.

7. To put an end to the mutual suspicions of the capitalists and the borrowing countries, a new type of agency should be established. She cited as an example the proposal made by the International Co-operative Alliance for the re-organization of the world oil industry. Although that proposal had had to be dropped because of the situation in Iran, co-operative enterprise could provide a very useful vehicle for foreign investment. The example of Sweden showed that co-operative enterprises had achieved excellent results, both in the use of natural resources and in the low-cost production of consumer goods. The establishment of mixed enterprises by the borrowing countries and the co-operatives offered a solution which might be preferable to the establishment of exclusively private enterprises, since governments would not be excluded from such agencies, while the latter would be operated with economic efficiency.

8. The Special Committee on Information transmitted under Article 73 e of the Charter, whose report² had recently been studied in the Fourth Committee, had emphasized in the third part of its report the importance of co-operative societies. The recommendations on the subject which the Special Committee had formulated with regard to Non-Self-Governing Territories could be extended to the under-developed countries. The Economic and Social Council should consider what type of agency was best suited to protecting the interests both of the under-developed countries and of foreign capitalists.

9. Since her delegation had not submitted a proposal on the subject at the appropriate time and since none

of the drafts submitted met its wishes, it proposed, if the representatives of Brazil and Greece agreed, to add the words "with special reference to the measures recommended in resolution 368 (XIII) of the Economic and Social Council" after the words "these countries" in paragraph 6 (b) of their joint draft resolution.

10. ABDEL RAZEK Bey (Egypt) expressed approval of the joint draft resolution submitted by Burma and Cuba and those submitted by Chile and Yugoslavia; he found it difficult to choose between them. He hoped that they could be merged into a single draft for which he would be able to vote.

11. He also supported the Ecuadorean draft resolution, the adoption of which would make it possible to supply the resources for financing co-operatives and would thus meet a request he had made during his speech.

12. In its resolution 400 (V), the General Assembly had recommended that the Economic and Social Council should consider methods, conditions and policies for achieving the steadier flow of foreign capital, and that it should pay special attention to the financing of non-self-liquidating projects which were basic to economic development. For the purpose of applying that recommendation, the Group of Experts had in turn recommended in its report on *Measures for the Economic Development of Under-developed Countries*³ the establishment of an international development authority to decide upon and administer the distribution of grants-in-aid, and to verify their utilization. Such grants-in-aid were to be made for the following purposes: the preparation, co-ordination and execution of programmes of economic development, the organization of technical education, public health programmes, agricultural credit banks and the improvement of rural public works. The experts had also considered whether an institution should not be established to make loans at very low rates of interest for investment in social capital. They had concluded that an institution of that kind would be unnecessary, for the same purpose would be achieved by combining a loan from the International Bank with a grant-in-aid from the international development authority in cases where an undertaking desirable on social grounds could not meet the full burden of loan finance.

13. The Burmese-Cuban joint draft resolution differed from the recommendations of the Group of Experts in a number of points. It drew a clear distinction between technical assistance and financial aid and proposed the establishment of an international development authority to assist the under-developed countries in preparing, co-ordinating and giving effect to their development programmes, to verify the proper use of the financial resources received by those countries from the United Nations organs responsible for financing economic development, and to study and report upon the progress of the development programmes. The Cuban delegation had stated (161st meeting) in support of its proposals that for the preparation, co-ordination and execution of development programmes, technicians and material means were required which the under-developed countries did not always possess; nor did the aid provided under the Expanded Programme of Technical Assistance meet their needs in that respect.

14. Paragraph 10 (a) of the joint draft resolution

² *Ibid.*, Supplement No 14.

³ United Nations Publications, Sales No. 1951.II.B.2.

assumed that the grants requested would always be made. That was far from certain, because the provision of those grants depended on the organs responsible for financing. Though paragraph 8 of the draft proposed the establishment of a financing agency with a bolder policy than that of the present organs, its establishment would depend above all on the exporting countries, which seemed hostile to such an institution.

15. He failed to see what distinction could be drawn between the terms "verify" and "control". He also thought that many under-developed countries would refuse to accept such supervision, particularly after the distressing experience of their relations with the International Bank, which had intervened in matters outside its competence.

16. He supported paragraph 10 (b) of the joint draft resolution, relating to the establishment of a special international fund for granting long-term loans at very low rate of interest for the economic development of the under-developed countries. That proposal filled the gap caused by the fact that under its present Articles of Agreement, the Bank could not hold the shares of private companies prepared to invest in the under-developed countries, but unable to assemble the necessary capital.

17. He noted a large measure of resemblance between the substance of the Chilean and Yugoslav draft resolutions, particularly between paragraph 7 of the Yugoslav draft and paragraph 9 of the Chilean draft. The latter, however, was more detailed, and its paragraph 10, in particular, mentioned the subjects on which Chile proposed that the Council should make recommendations.

18. Paragraph 3 of the Yugoslav draft resolution departed considerably from the provisions of the fourth paragraph of resolution 400 (V) of the General Assembly, which had actually been drafted by the representative of Yugoslavia at the fifth session of the Assembly together with the representatives of the Arab countries, including Egypt. According to that paragraph, the acceleration of economic development required not only technical but also financial assistance to the under-developed countries from abroad. The paragraph placed an obligation on the developed countries; an obligation which still existed, even though the world political and economic situation prevented the developed countries from fulfilling it at the present time. That was why the Egyptian delegation had submitted some amendments (A/C.2/L.96) to the Chilean draft resolution proposing that it should be modified by the addition to the preamble of the fourth paragraph of General Assembly resolution 400 (V) and also by adding to paragraph 8 a phrase referring to the need for foreign financial aid.

19. In order to dispel the anxiety caused among certain delegations by the apparently arbitrary distinction made in paragraph 10 (f) of the Chilean draft resolution between the various under-developed countries qualified to receive financial aid, he had thought it necessary to submit an amendment to that paragraph stipulating the criteria to be established for determining those undertakings that were likely to provide slow returns and those which were more easily self-liquidating.

20. He would vote in favour of the Burmese-Cuban joint draft resolution, which he would prefer to be considered separately since its purpose was more

general than that of the other draft resolutions. He would also vote for the Chilean and Yugoslav draft resolutions if those delegations succeeded in merging their texts into a single one.

21. Mr. ALLANA (Pakistan) expressed the hope that the authors of the various draft resolutions submitted to the Committee would succeed in preparing a joint text. He therefore reserved the right to speak later on the different ideas expressed in those proposals.

22. For the time being he would merely make a few general observations on the financing of economic development, a very difficult problem that gave rise to numerous divergencies of views. It was also such a vast problem that the measures hitherto adopted had hardly resulted in anything more than the enunciation of its terms. He entirely agreed with his Chilean colleague, who in the course of his masterly analysis of resolution 368 (XIII), had said (161st meeting) that that resolution would have no practical results if it were not put into effect immediately.

23. Some members of the Committee had spoken of the problem of full employment and the need for increasing productivity throughout the world. Those were certainly urgent problems, but they were so vast in scope that decades would be needed, particularly in Asia, before even a remotely satisfactory solution could be found for them. In order to lay the basis for such a solution it was necessary immediately to institute a system of international financing which would give a first impulse to the development of the under-developed countries.

24. The International Bank had already made a large contribution to that system of financing. In future it would have to be able to supply groups of experts to the countries to which it granted large loans, as the delegation of Pakistan had already pointed out in the Economic and Social Council. Another point was that the loans granted by the Bank were usually paid in United States dollars. In future the Bank should be able to provide the countries concerned with currencies other than the United States dollar so that they might buy on the world markets affording them the best prices. That would of course necessitate altering paragraph 302 of article 3 of the loan regulations of the Bank.

25. Finally, he drew attention to the fact that certain countries had been able to obtain funds in the form of loans negotiated through bilateral agreements. International measures of financing should not impede the negotiations of such agreements.

26. As for the special fund to which reference was made in the Chilean draft resolution, he reserved the right to take up that subject after the sponsors of the several draft resolution had agreed on a joint text. Like the Egyptian representative, he thought that paragraph 10, sub-paragraph (f) of the Chilean draft resolution might to some extent make for discrimination as between the under-developed countries and so work against their interests. If that sub-paragraph were retained in the final text, he would vote against it.

27. Answering Mr. LUBIN (United States of America), Mr. LOPEZ HERRARTE (International Bank for Reconstruction and Development) explained that, although for administrative reasons the Bank calculated the loans it advanced in dollars, it paid them out to

the borrowing countries in the currencies they desired.

28. Mr. DE SMET (Belgium) stated that his delegation had studied with great interest the several draft resolutions submitted to the Committee. In its opinion the joint Brazilian and Greek draft resolution came nearest to the ideas which it had put forward during the general debate.

29. With regard to the Chilean draft resolution, his delegation had already pointed out that in the present circumstances it seemed impossible to institute a new system of grants-in-aid or loans at low interest rates. The capital-exporting countries, of which Belgium was one, had declared that at the present time they were unable to find the moneys for such a scheme. The report which the Secretary-General would submit to the Economic and Social Council must be considered before a decision was reached on the matter. If that report revealed any practical possibility of obtaining the necessary capital, a more concrete study of the problem could be undertaken.

30. Unless circumstances were propitious, there would be no point in creating or proposing to create an organization, or even in making recommendations regarding it. Once adequate financial resources were available, there would be no difficulty in finding, there and then, competent persons to create an organization, define its terms of reference and ensure its operation.

31. There was yet another aspect to the problem. Legitimate though the ambitions of the under-developed countries were, the magnitude of the efforts demanded from the advanced countries should not be underestimated. The Expanded Programme of Technical Assistance for 1952 imposed on many of them a supplementary contribution amounting to about half their contribution to the United Nations. Many governments would have difficulty in securing their parliaments' assent to such increased expenditure. It was consequently somewhat untimely to incur administrative costs for the creation of an institution which would be able to function only once circumstances had become favourable.

32. It had recently become a habit to refer to the Experts' report on *Measures for the Economic Development of Under-developed Countries* as a new economic gospel. But it should not be forgotten that the representatives of States members of the Economic, Employment and Development Commission had expressed doubts as to the exactitude of certain figures cited in that report. In making that comment, he in no way under-estimated the needs of the under-developed countries, but he believed none the less that in consi-

dering methods of financing, it was essential to ascertain whether those countries would be able, over a given period of time, to absorb the capital, the technicians and the equipment which were actually available.

33. Resolution 368 (XIII) of the Council represented a compromise solution, for the sake of which the more advanced countries had made certain concessions. It should be honoured by observance and the Secretary-General's report should be awaited before further commitments were entered into.

34. ABDEL RAZEK Bey (Egypt) pointed out that the Burmese-Cuban joint draft resolution and the Chilean and Yugoslav draft resolutions did not prescribe any immediate measures of implementation but merely proposed that certain studies be undertaken and transmitted certain directives to the Economic and Social Council on questions which the latter should examine.

35. The Bank and the International Monetary Fund had stated in their reports that they did not have sufficient funds at their disposal to deal with a general crisis. But a major crisis could occur and studies which might perhaps help to mitigate it should be undertaken forthwith.

36. Mr. SANTA CRUZ (Chile) wished to furnish some explanations on paragraph 10, sub-paragraph (f) of his draft resolution (A/C.2/L.77). There was no question of discriminating between the under-developed countries. But if the Economic and Social Council recommended the creation of an international fund, it must also draw up rules for determining whether a given country should be allowed a grant-in-aid pure and simple or a low-interest loan. The decisions should be based on, for instance, the volume of the national income of the countries concerned. The Egyptian amendment (A/C.2/L.96) to his draft resolution helped to make his conception clearer and he was consequently glad to accept it.

37. He was also prepared to accept the redrafting of paragraphs 1 and 8 proposed by the Egyptian representative.

38. Mr. ALLANA (Pakistan) pointed out that sub-paragraph (f) was merely a repetition of sub-paragraph (e) and might therefore be deleted.

39. Mr. SANTA CRUZ (Chile) considered that that was a question of detail which could be examined once the general discussion on the substance of the problem had been concluded.

The meeting rose at 5 p.m.