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Chairman: Mr. Leo MATES (Yugoslavia).

Economic development of under-developed countries (A/2430, A/2447 and Corr.1) (*continued*):

- (a) **Question of establishing a special fund for grants-in-aid and for low-interest long-term loans: report of the Economic and Social Council (A/C.2/L.204, A/C.2/L.212 and Corr.1, A/C.2/L.212/Add.1, A/C.2/L.214);**
- (b) **Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council (A/C.2/L.213)**

[Item 26]*

1. The CHAIRMAN called upon the members of the Committee to consider the reports of the working group on the question of establishing a special fund for grants-in-aid and for low-interest long-term loans (A/C.2/L.212 and Corr.1) and on the status of the proposal for the establishment of an international finance corporation (A/C.2/L.213). He said that the working group had referred back to the Committee the United States draft resolution (A/C.2/L.204) and the Egyptian amendment to it (A/C.2/L.208). The Committee also had before it a statement of the financial implications of the draft resolution on the Special Fund (A/C.2/L.212/Add.1).

2. Mr. KAIGL (Czechoslovakia) said that his delegation would not be able to support the fourth paragraph of the preamble of the draft resolution on the Special Fund (A/C.2/L.212) unless it was explicitly stated in the paragraph that foreign investments should not be made conditional on any demands for economic, political or military privileges: he was therefore submitting an amendment to that effect (A/C.2/L.214).

3. Mr. ARKADYEV (Union of Soviet Socialist Republics), supporting the Czechoslovak amendment, said that the issue was not new; representatives of the under-developed countries in both the General Assembly

and the Economic and Social Council had on many occasions voiced misgivings regarding the demands of foreign investors. Their misgivings were fully justified, as was amply demonstrated by the fact, for example, that in many under-developed countries American investments had been followed by the setting-up of military bases or of strict control over the economic and financial affairs of the countries concerned. In most cases, such measures had been taken under the cloak of so-called assistance programmes. Many facts already showed that the flow of foreign capital to under-developed countries could constitute a serious threat to their economic, political and even military independence.

4. His country had consistently advocated granting under-developed countries financial assistance that did not result in their political or military subordination. At the thirteenth session of the Council¹ his delegation had supported the Pakistan proposal to amend the draft resolution subsequently adopted as resolution 368 (XIII) by inserting a provision reserving the right of the governments of Member States to take any appropriate safeguards necessary to ensure that foreign investment was not used as a basis for interference in their internal affairs or national policies.

5. The purpose of the Czechoslovak representative's proposal was similar. It would also make the draft resolution more in keeping with the spirit of the report of the committee of experts (E/2381) appointed to draw up a detailed plan for the establishment of a special fund. That committee had stressed the need to ensure that the Special Fund could not be used as a means of exerting pressure on borrower countries. In the light of the experts' report, the views repeatedly expressed by the under-developed countries themselves and the most elementary principles of fairness, the Committee would be making a serious mistake if it did not adopt the Czechoslovak amendment.

6. Mr. MAZA (Chile) said that his country's views on the whole question of economic development were too well known to require recapitulation; the fact that those views had received the approval of all the under-developed countries was a source of great satisfaction to his delegation.

7. Chile considered that it would be extremely dangerous, both to the world's economic future and to collective security, if the adoption of any major scheme to assist the under-developed countries were subordinated to rearmament needs. Such assistance must, on the contrary, be an essential factor in any successful plan for defence against aggression.

8. Reminding the Committee of the way in which the idea of assistance to under-developed countries had been introduced and had taken shape in the United Nations, he said that it was necessary to do so because it was use-

* Indicates the item number on the agenda of the General Assembly.

¹See *Official Records of the Economic and Social Council, Thirteenth Session, 509th meeting.*

ful for the representatives of the great Powers and the under-developed countries alike to take stock of the progress that had been made and to realize what remained to be done to achieve the goal the United Nations had set itself. It was also important that the economically powerful countries should understand that by assisting the under-developed countries they were in fact strengthening their own security.

9. Since 1948 the under-developed countries had made untiring efforts to find means of financing their economic development. From 1949 onwards they had made special efforts to find new sources of finance which would provide them with grants-in-aid or low-interest long-term loans for non-self-liquidating public projects. Chile had played a leading part in that effort and had initiated most of the many resolutions on the matter adopted by the Council and the Assembly. Outlining in detail the history of the question of establishing a special fund, he reminded representatives of the provisions of Economic and Social Council resolution 179 (VIII), 222 D (IX), 268 (X), 290 (XI), 294 (XI), 342 (XII), 368 (XIII), 416 (XIV) and 482 A (XVI) and General Assembly resolutions 200 (III), 306 (IV), 400 (V), 520 A (VI) and 622 A (VII).

10. The Committee had to take a decision regarding the draft resolution prepared by the working group (A/C.2/L.212). Having, so to speak, originated the idea, his delegation attached great importance to the proposal to establish a special fund and could not help regretting that the working group had felt unable, in the present circumstances, to propose more positive measures. The draft resolution it recommended was only a small step forward, but it had the merit of keeping the idea alive. His delegation had not insisted on more, because it believed that by the ninth session world public opinion and the leaders of the great Powers would realize the importance of the part the Special Fund could play and that its establishment would thus be facilitated. His delegation would therefore support, although without enthusiasm, the draft resolution contained in document A/C.2/L.212. It would, however, resolutely oppose the postponement of the execution of the project until the still uncertain date when world disarmament would be possible.

11. In conclusion, he stressed his delegation's confidence in the President of the Economic and Social Council, Mr. Raymond Scheyven.

12. Mr. JUNG (India) reserved the right to discuss the substance of the question when he explained his delegation's vote. For the present he would confine himself to explaining why his delegation was opposed to the adoption of the Czechoslovak amendment to the fourth paragraph of the preamble of the draft resolution on the question of establishing a special fund. The draft resolution was concerned with the possible establishment of an international institution within the framework of the United Nations, and plainly there could be no question of such an institution's seeking to exploit the countries to which it granted financial aid or attempting to impose conditions which violated their economic or political independence. Obviously the capital referred to in the fourth paragraph of the preamble would be capital freely granted in the sole interest of the country that received it. The Czechoslovak amendment, although it was based on a sound idea which no one would dream of opposing, consequently seemed to be out of place in the draft resolution under consideration and he hoped that, in the light of those explana-

tions, the Czechoslovak representative would withdraw it.

13. Mr. ZAFRA (Philippines) had little to add to the substance of the statements his delegation had made in various United Nations bodies and during the Committee's recent discussions on the economic development of under-developed countries.

14. His delegation was pleased to note that the more developed countries seemed to be more optimistic about the possibility of establishing a special international fund and that the idea would continue to be studied. He hoped that the adoption of the draft resolution contained in document A/C.2/L.212 would bring the establishment of the fund closer, thus enabling all States Members of the United Nations to achieve the ideal of economic stability and full employment proclaimed by the Charter. The proposal to establish a special fund for grants-in-aid and long-term low-interest loans was essentially commercial, but it should not be forgotten that it affected millions of human beings and thus deserved the most generous support which could be given it under existing circumstances.

15. Mr. EL-TANAMLI (Egypt) said that his delegation had submitted an amendment (A/C.2/L.208) to clarify the United States draft resolution (A/C.2/L.204). During the working group's discussions, his delegation had been assured that the adoption of the United States draft resolution would not preclude the possibility of establishing a special fund before world disarmament under international control was effected. Under those circumstances, and in view of the wording of the new draft resolution proposed by the working group, his delegation withdrew its amendment.

16. He endorsed the Indian representative's remarks on the Czechoslovak amendment; the draft resolution under consideration referred to a specific matter and not to the question of foreign investment as a whole. Again, the preamble specifically mentioned the aims and purposes of the Charter, which excluded any idea of exploitation or pressure. He wished, however, to consider the Czechoslovak amendment further before taking a decision and reserved the right to revert to the matter later.

17. Mr. BLUSZTAJN (Poland) did not approve of the words "The working group agreed to submit" at the beginning of paragraph 2 in documents A/C.2/L.212 and A/C.2/L.213. As that phrase followed the list of all the representatives who had participated in the working group's discussions, it might give the impression that all the representatives concerned had supported the draft resolutions; whereas some delegations, including Poland, had not done so. He proposed that the words should be replaced by a formula such as: "The following draft resolution is submitted to the Second Committee".

18. With regard to the amendment contained in document A/C.2/L.214, he did not agree with the Indian representative, who feared that, if the Committee included the proposed amendment, it would be disgracing and introducing a political element into the draft resolution. The amendment merely recalled well-established principles which had been adopted by all United Nations bodies and had been expressed in similar terms in many of their reports. Moreover, it was not correct to say that the whole preamble referred specifically to the establishment of an international fund. The fourth paragraph was a general statement regarding the flow

of capital to under-developed countries. His delegation would support the Czechoslovak amendment.

19. The CHAIRMAN pointed out that the two draft resolutions had not been put to the vote in the working group. The latter had simply decided to submit the draft, which did not mean that there had been unanimity. Each of the representatives was free to express his opinion in the Committee and to vote as he desired.

20. Mr. PASTRANA BORRERO (Colombia) welcomed the Egyptian representative's statement that there was no contradiction between the draft resolutions contained in documents A/C.2/L.212 and A/C.2/L.204, and that the adoption of the United States draft resolution did not preclude the possibility of establishing the fund before disarmament under international supervision was effected. The point was so important that he hoped that it would be confirmed by the United States representative. If that was the situation, his delegation would be able to vote for the United States draft resolution instead of abstaining as it had originally intended.

21. Mr. UMARI (Iraq) confirmed that the working group had considered, as the provisions of the draft resolution contained in document A/C.2/L.212 showed, that there was no contradiction between the establishment of the fund and the idea in the draft resolution contained in document A/C.2/L.204. There was no room for doubt on that point.

22. His delegation would be unable to support the Czechoslovak amendment, as it felt that the international character of the agency which would be responsible for directing the flow of foreign capital to the under-developed countries ensured that such investment would not be conditional on requests for privileges.

23. Mr. SALAMANCA (Bolivia) stressed the outstanding part played by the Latin-American delegations, particularly that of Chile, in the discussions on the establishment of an international fund in the various United Nations bodies. In view of the reserved attitude of the more developed countries towards the requests of the under-developed countries, the draft resolution contained in document A/C.2/L.212 was the only possible solution in the present circumstances. His delegation would therefore support it, while regretting that an immediate and more positive solution had not been found.

24. It was difficult for his delegation to take a stand on the Czechoslovak amendment, because in Bolivia the investment of foreign private capital had never been very substantial and had never played a very significant part.

25. Mr. ARKADYEV (Union of Soviet Socialist Republics) agreed with the Polish representative that the beginning of paragraph 2 of documents A/C.2/L.212 and A/C.2/L.213 should be amended: the existing texts gave the impression that the members of the working group had unanimously supported the draft resolutions appearing in those documents.

26. With regard to the amendment contained in document A/C.2/L.214, he was convinced that the draft resolution should emphasize that the investment of foreign capital must not be subject to any demand for economic, political or military privileges. Despite the Indian representative's arguments, experience showed that investors generally demanded such privileges. In that connexion he referred to the second sub-paragraph of paragraph 6 (c) of Economic and Social Council

resolution 368 (XIII). That text, submitted by the Pakistan delegation² and adopted by a very large majority at the thirteenth session of the Council,³ clearly showed that such a danger existed. If, as the Iraqi representative claimed, the international character of the Special Fund ruled out the possibility of any request for privileges, he wondered why the committee of nine experts had stated in its report (paragraph 73) that the assistance given "should not serve as a means for . . . interference in the domestic affairs of assisted countries". As the idea was expressed in the report of the committee of nine experts, there was no cause for indignation when it was proposed that it should be inserted in the draft resolution. The apprehensions regarding interference in the domestic affairs of the countries assisted were justified, as the copious documentation on the matter proved. The Czechoslovak amendment was thus necessary and perfectly justified.

27. Mr. ZOLOTAS (Greece) said that his delegation would support the draft resolutions contained in documents A/C.2/L.204 and A/C.2/L.212 because the clarification given had dispelled any doubts which representatives might have had about them.

28. The amendment in document A/C.2/L.214 was not relevant to the draft resolution contained in document A/C.2/L.212. He agreed with the Indian representative that the draft resolution was essentially concerned with the establishment of a special fund and not with private investment generally. The fourth paragraph of the preamble had not been considered in its proper context. Moreover, if the Czechoslovak amendment were adopted, the impression might be given that the United Nations was trying to impose certain conditions on the under-developed countries. The United Nations operated in accordance with the principles of the Charter, to which the draft resolution referred. Accordingly an international agency operating under United Nations auspices could obviously not demand any economic, political or military privilege from the under-developed countries. His delegation could not therefore accept the amendment in question.

29. Mr. DE SEYNES (France) suggested that the French text of the last paragraph but one of the preamble of the working group's draft resolution (A/C.2/L.212) should be amended to read: "*Considérant que l'Assemblée générale doit suivre de près la question de la création d'un fonds spécial et, en particulier, doit être attentive à tout changement, soit dans la situation mondiale, soit dans l'attitude des gouvernements des Etats Membres, qui pourrait favoriser la création d'un fonds spécial dans un proche avenir*". The new text would be closer to the English text.

30. He said that his delegation's position with regard to the draft resolutions contained in documents A/C.2/L.204 and A/C.2/L.212 was to some extent based on the paragraph he had quoted. The sponsors of the draft resolution accepted the ideas that had led to the proposal to establish a special fund, and on which the experts' report had been based; they noted that the present situation was not favourable to the establishment of the fund, but were prepared to reconsider the position at a subsequent session. The United States draft resolution supplemented rather than limited the proposal. If it was impossible actually to establish

² See *Official Records of the Economic and Social Council, Thirteenth Session, Annexes*, agenda item 4, document E/L.210.

³ *Ibid.*, 511th meeting.

the fund in the present situation, two things could be done: governments could agree to examine the position and at the same time, independently of that examination, to enter into an undertaking contingent upon disarmament. Thus, the draft resolution contained in document A/C.2/L.204, far from imposing a restriction, added something more. His delegation would therefore support both draft resolutions.

31. For the reasons mentioned by previous speakers, he could not support the Czechoslovak amendment.

32. Mr. STANOVNIK (Yugoslavia) expressed his delegation's gratification at having participated in the discussions of the working group, which had taken place in an atmosphere of constructive understanding. He wished the draft resolution every success.

33. With regard to the Czechoslovak amendment, his delegation had stated its views on the problem of private investments in detail at the previous session of the Economic and Social Council.⁴ He would not therefore return to the matter. He pointed out that the draft resolution contained in document A/C.2/L.212 referred to the flow of international capital rather than to the narrower question of private investments. The foreign investments mentioned in the Czechoslovak amendment, which would include direct investments or foreign holdings, represented only a portion of international capital. The Czechoslovak amendment thus tended to restrict the meaning of the draft resolution. Moreover, it was difficult not to establish a connexion between the expansion and liberalization of international trade and an increased flow of capital. He felt that the Czechoslovak amendment was therefore not justified; the same remark did not apply to the amendment submitted by the Czechoslovak delegation in the working group during the discussion of document A/C.2/L.213, concerning the establishment of an international finance corporation, and he was pleased that that amendment had been adopted. The Czechoslovak representative's fears were groundless; the conditional investments referred to in the Czechoslovak amendment would not contribute to the solution of contemporary economic problems, since they would not ensure economic stability, which was essential to the prosperity of the more developed and the under-developed countries alike. With regard to the Czechoslovak and USSR representatives' argument based on the report of the committee of nine experts, he pointed out that the report, which referred to financing by private capital, was more precise than the preamble of the draft resolution. No parallel could therefore be drawn between the report and the draft resolution as justification for the insertion in the preamble of an amendment which was out of place in that context. He therefore advised the Czechoslovak representative to withdraw the amendment.

34. Sir Clifford NORTON (United Kingdom) expressed satisfaction at the results obtained by the working group. He fully shared the French representative's views with regard to the draft resolution contained in document A/C.2/L.212 and the United States draft resolution (A/C.2/L.204). He was surprised that the Czechoslovak representative had not submitted his amendment to the working group when it had been drafting a definite text. The amendment served no useful purpose, and he would oppose it.

⁴ See *Official Records of the Economic and Social Council, Sixteenth Session, 725th meeting.*

35. Mr. ENCINAS (Peru) said that his delegation was not wholly satisfied with the working group's draft resolution, but would support it because it put forward a minimum programme and advocated a series of steps to be taken by the Assembly to give further impetus to the work already undertaken. He agreed with the representatives who had spoken against the Czechoslovak amendment: the amendment was not appropriate to the draft resolution, and he would oppose it, although he agreed with the question of principle involved.

36. He would vote for the United States draft resolution, which did not contradict the working group's draft resolution.

37. Mr. MORALES (Argentina) said that, like the representative of Chile, he had hoped that at the present session the Committee would be in a position to adopt more concrete measures than those that had been proposed. Nevertheless, the draft resolution submitted was unquestionably a step forward on the long and arduous road that had to be travelled before the problems facing the under-developed countries could be solved. It was undoubtedly a matter for satisfaction that the working group, thanks to the spirit in which it had approached its task, had been able to draft a text acceptable to a large majority of the Committee. He particularly welcomed the appointment of Mr. Raymond Scheyven, President of the Economic and Social Council: he had worked with Mr. Scheyven for many years and was sure that he would devote his talents to the establishment of a special fund, which was of such importance to the under-developed countries.

38. He would support the draft resolutions contained in documents A/C.2/L.204, A/C.2/L.212 and A/C.2/L.213 and reserved his delegation's right to comment on the Czechoslovak amendment (A/C.2/L.214) at a later stage.

39. Mr. HALIQ (Saudi Arabia) said that he would support the working group's draft resolution. He had hoped that it would be unanimously approved and regretted that the Czechoslovak representative had felt it necessary to submit an amendment. It might still be possible to achieve unanimity if the fourth paragraph of the preamble were amended to include a reference to the purposes and principles of the Charter. The phrase "in conformity with the principles and purposes of the United Nations Charter" could be inserted between the words "to under-developed countries" and "would contribute". He said that, if the Czechoslovak representative agreed to that amendment, he would submit a written text which would satisfy a number of delegations, in particular the Greek delegation.

40. Mr. UMARI (Iraq), in reply to the USSR representative, observed that the committee of nine experts had carried out only preliminary work, on which the governments would be invited to express their opinions, in accordance with the other provisions of the draft resolution contained in document A/C.2/L.212. He did not share the Czechoslovak and USSR representatives' misgivings concerning the influence of foreign capital in the under-developed countries. The excellent results achieved in all parts of the world through the technical assistance programme had demonstrated the useful role that could be played by foreign capital. He shared the views of the Greek representative, but was unable to agree with the Czechoslovak representative.

41. Mr. KAIGL (Czechoslovakia) could not accept the arguments advanced against his amendment. The International Bank's intervention in the financing of the economic development of certain countries was in itself sufficient to justify the amendment, which he had therefore urged the Committee to adopt. He would nevertheless gladly discuss with the Saudi Arabian representative the new amendment the latter had proposed.

42. Mr. CHAUVET (Haiti) shared the Colombian representative's opinion concerning the working group. He was pleased that the Committee had been able to examine the working group's draft resolution before the United States draft resolution, on which new light had been thrown. If the United States delegation were prepared to support the draft resolution contained in document A/C.2/L.212, his delegation would unhesitatingly support the United States draft resolution. He observed that any State was entitled to grant, refuse or modify privileges according to circumstances.

He would therefore abstain from voting on the Czechoslovak amendment.

43. Mr. JOHNSON (Canada) thought that the draft resolution submitted by the working group was a sensible compromise between diverging views. If it was adopted, the studies could be continued without governments' having to enter into commitments regarding financial support, which some of them were not prepared to give. He drew the Committee's attention to the fact that the consultations provided for in paragraph 3 of the operative part would take place only if they were judged to be really necessary. It was not Mr. Scheyven's function to request the support of governments.

44. He doubted the appropriateness of the Czechoslovak amendment, and reserved his position with regard to the Saudi Arabian amendment.

The meeting rose at 1.10 p.m.