



C O N T E N T S

	Page
Economic development of under-developed countries (<i>continued</i>):	
(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;	107
(b) Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council	

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.205, A/C.2/L.206, A/C.2/L.207)**
- (b) **Status of the proposal for the establishment of an international finance corporation: report of the Economic and Social Council**

[Item 26]*

1. Mr. JUNG (India) recalled that the Economic and Social Council and the Second Committee had for some years considered the various aspects of under-development and the national and international measures which could and should be taken to eliminate one of the main causes of the economic instability which prevailed throughout the world. As a result of the many studies of the subject which had been made both within and outside the United Nations, the ideas of the economic inter-dependence of peoples was daily taking firmer hold. Enlightened opinion now understood that real economic stability could never be achieved in an expanding economy until the greater part of the world was no longer under-developed. The Indian delegation hoped that that idea would continue to guide consideration of the question, especially since it alone explained and justified the fact that the discussion was taking place in the international organization and not in the capitals of various countries.

2. It was therefore important not to create the impression that the Member States were divided into two separate camps when considering a question which was vital to world peace and prosperity. The object was not to conciliate opposing interests but to organize a great co-operative work jointly in the interests of all.

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

3. The Committee had before it three draft resolutions on the plan for establishing a special fund for grants-in-aid and for low-interest long-terms loans. One, submitted by the United States of America (A/C.2/L.204), was based on an idea which the Indian delegation had helped to elaborate and propagate from the outset and with which it was therefore in perfect agreement. His delegation considered, however, that, if the Committee adopted that proposal without specifying the preparatory measures to be taken to facilitate the establishment of the Special Fund, it would be purely and simply rejecting the recommendation of the Economic and Social Council by rendering the existence of the fund conditional on disarmament. Furthermore, the United States draft resolution went in that connexion beyond the statement made in April 1953 by the President of the United States of America, by stipulating that sufficient progress would have to be made, not merely in disarmament, but "in internationally supervised world-wide disarmament". If the General Assembly were to approve the present text, it would seem to be modifying the United States President's statement which India had welcomed and would support wholeheartedly. Nevertheless, there was nothing in that statement, or in the idea which Sir Benegal Rau had been authorized to submit on India's behalf in 1950, which implied that the establishment of an international development fund could not be contemplated until disarmament had become a reality.

4. Economic and Social Council resolution 482 A (XVI), whereby the question of the Special Fund had come before the Committee, referred to the prospect of devoting "additional" resources to the financing of development and reconstruction. That undoubtedly meant that the Council believed it possible to set up the fund irrespective of disarmament, and that the savings derived from disarmament would merely constitute "additional" funds. His delegation hoped that all the members of the Committee would agree with that interpretation, since many delegations would then find it easier to adopt the United States draft.

5. Under that same resolution 482 A (XVI), however, the Economic and Social Council had recommended that the General Assembly should consider what other preparatory steps might usefully be taken towards the establishment, when circumstances permitted, of an international fund designed to assist development and reconstruction of the under-developed countries. Certain delegations had stated during the debate that the preparatory work had already been done, and that it was hardly possible to add to the excellent study made by the Secretariat in 1952 (E/2234), to the report of the Committee of nine Experts (E/2381) or to the records of the debates in the Council and the General Assembly. All the relevant documents, except the current debates in the Second Committee, had been studied by the Council before it had made its recommendation. Moreover, that recommenda-

tion related to the "steps" which might be taken, and not only to the preparation of an additional document. In other words, the Council had invited the General Assembly to move forward, not to mark time. If it were considered that preparatory steps had already been taken, the project to which the previously-approved studies and resolutions related would be shelved until sufficient progress had been made towards disarmament under international control. His delegation hoped that those who held that view would not insist on maintaining it.

6. The question, therefore, was to determine the measures to be taken immediately. The extent to which that could be done depended on the attitude of delegations. If the Committee did not wish to speed up the establishment of an international body for the financing of economic development, the proper procedure would be to continue the studies which had been undertaken and to refer the question to the Economic and Social Council from time to time. It might be even better frankly to postpone the execution of the plan until world-wide disarmament had been carried out under international control. If, however, the Committee wished to hasten the establishment of the fund, it should study the concrete preparatory steps which it would recommend the General Assembly to adopt. The Indian delegation had no doubt of the need to set up a special fund for financing development within and under the authority of the United Nations. It had often declared its support of that idea, which it was confident would be implemented sooner or later. It therefore objected to referring the question back to the Economic and Social Council, since the time had come for the Assembly to take the initiative.

7. The Indian delegation was convinced that the establishment of the Special Fund should be hastened, and that its opinion coincided with that of the Economic and Social Council; it had therefore joined with other delegations in submitting a draft resolution (A/C.2/L.206), in order to make a concrete contribution towards the fulfilment of the project before the Committee. The sponsors of the joint draft resolution had borne in mind that the establishment of a special fund had previously been given only a general examination and that the specific structure proposed by the committee of nine experts had scarcely been studied. If it was decided to execute the project, it would thenceforth be essential to go into detail. The report of the nine experts contained sufficient information to enable governments to submit constructive observations on the type of structure which they wished to set up for the fund. It had also been remarked that the activities of the Special Fund ought perhaps to be co-ordinated with those of other United Nations bodies concerned with development. A number of valuable suggestions for efficiency and economy had been submitted by the experts in their report and by members of the Committee during the current debate. The sponsors of the joint draft resolution therefore proposed that the Secretary-General should invite the detailed comments of governments on such suggestions, to enable the General Assembly subsequently to take practical steps for the drafting of the statutes of the fund; and that he should prepare a working paper on the extent and methods of co-ordination which might be desirable or necessary between the activities of the fund, the Technical Assistance Board and such of the specialized agencies as might be engaged in tasks relating to the economic development of under-developed countries.

8. With a view to accelerating the establishment of the fund, the sponsors of the joint draft resolution also proposed that the General Assembly should appoint one or more persons, at the Committee's discretion, to explain and further the idea of such a fund in different countries and to ascertain the extent and amount of moral and material support and adherence which might be expected from them. The Indian delegation considered that the latter task could not be successful unless undertaken on a level higher than that of the current Secretariat work on the subject. It was fully aware that that procedure had given rise to some doubts, but held strongly that the task of explaining the purpose of the fund and ascertaining the amount of support it would receive ought to be entrusted to persons or a body whose prestige and objectivity were universally recognized.

9. By supporting the draft resolution, delegations in no way committed themselves to the immediate establishment of the Special Fund, which could not actually be set up until the preparatory steps provided for in the draft resolution had been taken. Only then would the General Assembly be able to take detailed decisions instead of discussing generalities, and to consider what action might be taken in existing circumstances.

10. It had been said that the establishment of a new international organization of that type would not lead to any appreciable increase in the assistance received by the under-developed countries. Although the Indian delegation, as a result of the views expressed in the Committee and before other bodies, was more optimistic than it had been at the outset, it nevertheless felt that no certainty had emerged, and that the situation should be more carefully explored before any decision was taken. Even if the establishment of the fund led to no appreciable growth of assistance, it would still have two effects to which his delegation attached great weight. First, it would have enabled international machinery for financing development to be set up—and one of the purposes of the Charter would be attained when that machinery was working for economic and social advancement. Secondly, the assistance thus given would be organized co-operatively, much of it being set aside for the endeavours of the under-developed countries themselves. The Indian delegation had never concealed its preference for the granting of financial assistance through international organizations, even though it did not at all agree with those who thought that assistance granted in other ways was necessarily directed towards exploitation. Assistance through an international organization was above even unjustified suspicion; it enabled long-range projects in vital economic and social sectors to be financed and administrative costs reduced, facilitated the use of local currencies and promoted concerted action. The last-named merit alone would be enough to make international assistance something more than mere help, indeed, it was one of the features that made the Colombo Plan so valuable.

11. True, the difficulties arising from current political tension were very real ones. The country which had made the largest contribution to economic development both inside and outside the United Nations had stated that there should be no assumption that the large sums it was making available to under-developed countries under bilateral agreements would be transferred to a new international fund. In addition, the Soviet Union and the People's Democracies, some of which had recently announced their decision to participate in the

execution of the Expanded Programme of Technical Assistance, had so far abstained from voting for the proposed fund. Undoubtedly it should not be concluded that the United Nations should be held responsible. The political atmosphere was calmer than it had been when the General Assembly had decided to set up the Special Fund under resolution 520 (VI). The misgivings and fears harboured in various quarters concerning the operation of the fund should be borne in mind, and an effort should be made to draft its statutes so as to allay them. The present political atmosphere might delay the fund's establishment, but there was no justification for deferring the consideration of suitable preparatory steps. In the mean time, the Committee should do or say nothing to give the impression that it did not believe that international relations could soon improve. There were sixty Members of the United Nations; their domestic public opinion must be heeded. Any step towards postponing or finally dropping the plan to establish a Special Fund was bound to cause disappointment and misunderstanding. He would revert later to the proposal to set up an international finance corporation, but he wished to stress that private capital tended to flow towards the financing of private enterprise, to the exclusion of public and social services. Accordingly the Indian Government, although it saw the need for the under-developed countries to receive both private and governmental capital, did not believe that private capital could be a substitute for governmental capital.

12. The approach to the problem of economic development should be primarily national. India, for example, had succeeded in the past few years in establishing a trade system which safeguarded it to some extent against fluctuations in the cost of raw materials, since it no longer depended on primary production alone. Since India's gain of independence, its Government had been concentrating on an effort to double private incomes. Food production had thus increased and industrial production had risen to levels never previously attained. The Government had allocated \$357 million to eliminating unemployment. Other under-developed countries in Asia, the Middle East and Latin America had followed India's example of national action. But national action would be inadequate unless supplemented by an inflow of foreign capital, which alone could quicken the slow process of capital formation in under-developed countries. Similarly, the liberalization of trade and the stabilization of prices on the export market would indirectly aid economic development; consequently his delegation was awaiting with interest the conclusions of the Committee of Experts appointed in 1952, in accordance with the draft resolution A/C.2/L.162, submitted by the Argentine delegation to study fluctuations in raw material prices.

13. To sum up, the nine experts' report was detailed enough for official comment by governments. A study of the possibilities of co-ordinating the activities of the Special Fund, the Technical Assistance Board and the specialized agencies would be useful. It was essential that some authority should be made responsible for finding out from governments the extent to which they were inclined to give moral and material support to the Special Fund. To condemn the fund on insufficient information would be unjustified. In brief, adequate documentary material should be assembled to enable a subsequent decision to be taken with full knowledge of the facts.

14. Mr. ARKADYEV (Union of Soviet Socialist Republics) stressed how deplorable economic conditions were in the under-developed countries. Much of the world's population was undernourished. In some countries, especially in the Far East, food production was 15 to 20 per cent below the pre-war level and they were compelled to import the foodstuffs they had once exported. The price of raw materials had fallen, and their scale, which made up most of the under-developed countries' exports, was subjected to limitations and restrictions imposed by a policy of blockade and embargo. The great colonial Powers which had adopted that policy were making every effort to maintain the barriers and obstacles in the way of international trade, so that the situation on the world market was becoming worse. The under-developed countries were finding it harder and harder to acquire the capital goods requisite for their development, since the capitalist countries' armaments programmes were absorbing not only all available money but also the raw materials and capital goods. Exports to the under-developed countries from the industrialized countries, in particular the United States of America and the United Kingdom, had greatly declined. Raw material prices were still falling, whereas the prices of capital goods were rising steadily.

15. The United States representative had stated that his country would continue to try to improve conditions in international trade. It must unfortunately be noted that the United States had done nothing in that direction. The ban on trade with the USSR, China and the People's Democracies had not been raised. High customs tariffs still existed for the purpose of closing the United States domestic market to the exports which would enable the under-developed countries to obtain the dollars needed for buying capital goods. An economic blockade was still imposed on any countries which refused to submit to American policy.

16. Some delegation had stated that world problems could not be solved, owing to the breach of economic relations between countries. That trade currents should normally flow between certain regions was undeniable. That was the reason for certain countries' protests against the trade policy imposed on them by some great Powers. They could no longer choose freely either the countries buying their raw materials or those supplying them with capital goods. Their anxiety to escape from that situation and hasten their economic development was understandable.

17. The Economic and Social Council had adopted several resolutions on problems concerning the under-developed countries, but without practical result. Those countries were rightly disturbed at the delay. All the Council's comments had been directed mainly to the possibility of stimulating the flow of foreign capital. That was a move towards interference in domestic affairs. Those countries were asked to reverse their law and administrative practice affecting foreign investment. Conversely, the Council had shown no concern at the activities of foreign monopolies, which were revealed only in articles in the progressive press or in statements made inside the United Nations. The effect of the monopolies' activities was often to frustrate the development of the national economy in any direction of use to the country concerned, since they abolished competition and cared for nothing but piling up profits, heedless of the country's interests. Countries in which large amounts of foreign currency had been invested somehow still remained under-developed. The

reason was that they had not been able to develop their own industry. To make economic progress, they must alter their current economy and work up the raw materials they produced themselves. To build up domestic industries they must establish normal trade relations based on the equality and mutual interest of the parties. The 5 or even 6 per cent interest demanded by the Import-Export Bank and the International Bank was too heavy a burden. It was easy to understand why the under-developed countries were trying to find a new financing system and were asking for the establishment of a special fund and an international finance corporation; but those bodies could not be independent, especially if they were linked with the International Bank and the International Monetary Fund, which were under the influence of United States financial circles. Many countries would be disappointed and would not see their hopes fulfilled.

18. The United States representative's statement meant that his country would not participate in the fund, and that he was trying to cast the responsibility for that decision on the USSR by making it responsible for the armaments race. That argument was unfounded. The United States representative had omitted to mention that the armaments programmes, a crushing burden on the American people, were a huge source of profit for American business men and monopolies. These had an interest in the continuation of the armaments race, and the United States representative had spoken on their behalf.

19. The creation of the fund was thus deferred to a vague and indefinite future. It was understandable that the under-developed countries should become uneasy and should try to adopt a practical attitude towards the problem. The whole question was whether those countries could sell their products at fair prices and procure in exchange the capital goods essential to the development of their industry. The solution should be sought in the development of economic relations between the various countries. To that end all trade restrictions should be abolished. The under-developed countries should be regarded as equal and respected partners in co-operation. All Members of the United Nations should take steps to intensify trade relations and thus come to the assistance of the under-developed countries.

20. The Soviet Union, which had always felt great sympathy for the countries that wished to achieve economic independence and speed their development, had endeavoured to strengthen its economic and commercial relations with those countries. In order to strengthen its economic ties with China, the Soviet Union had granted China in 1950 a long-term credit on very favourable conditions with the object of supplying it with capital goods for the establishment of new industries. The Soviet Union had also furnished technical assistance to China in executing plans for the setting up of chemical, automobile, textile, hydro-electric and metallurgical industries. A recent agreement provided for the grant by his country of economic assistance in the implementation of the Chinese five-year plan. Under that agreement the Soviet Union would supply capital goods for the setting up of ninety-one new undertakings and the reconstruction of fifty others. An agreement had also been concluded between his country and Egypt under which his country would supply wheat in exchange for cotton. He also quoted the exchange agreements, which respected the parties' mutual

interests, concluded between his country and Pakistan, Iran, Greece and Argentina. During the last two years the People's Democracies also had concluded trade agreements with certain countries, in particular Argentina, Brazil, India, Indonesia, Iran and Egypt. That system of exchange was one of the best methods of helping under-developed countries to develop their industries more quickly. The Press of various countries had stressed the importance of those agreements. A Brazilian newspaper had stated that the resumption of commercial relations with the Soviet Union would be an act of common sense, as it would enable a considerable number of problems to be solved. The countries of Asia, the Far East and the Middle East had well understood the importance that should be attached to the resumption of commercial relations. The paper *Commerce and Industry* had said that Indian business circles were aware of the abnormality of the rupture of commercial relations, seeing that no country could live in lonely isolation, and that India must take steps to develop its commercial connexions to the full. Papers in Ceylon had emphasized the importance of commercial relations between Ceylon and China, which could obviate a rubber crisis and prevent unemployment. Such were the real ways to improve the world economic situation and tighten the bonds of international co-operation. An exchange of views on the problem would be of great value.

21. He hoped that his statement would help to increase international co-operation and to find a solution to the problems of the under-developed countries.

22. Mr. ALVARADO (Venezuela) pointed out that his delegation had been among those which in 1946 had launched the idea of technical assistance within the United Nations. It was always resolved to support the United Nations technical assistance programmes and all other measures to promote economic development. Among such measures were the establishment of a special fund for grants-in-aid and for the long-term loans, and the establishment of an international finance corporation. Such institutions, if established, would prove equally useful to the under-developed and to the most highly industrialized countries, and would contribute towards peace in the world and the good of mankind.

23. Reviewing the debates on the financing of economic development, he cited the provisions of General Assembly resolution 400 (V) and 520 A (VI), which had led to the preparation of the experts' report on a special United Nations fund for economic development. That report, which showed that the special fund was no mirage, represented a step in the right direction, and it remained for the General Assembly to give a fresh stimulus to the work in hand.

24. The enthusiasm for the special fund shown by the delegations of the under-developed countries contrasted with the reservations expressed by the United States representative, who had said (259th meeting) that his Government could not at present participate in the establishment of a new international fund for economic development, and that he did not consider that the plan should be taken further; he had, however, confirmed that his Government wished to co-operate with other countries in seeking a solution to the disarmament problem and intended to devote part of the savings on disarmament to the constitution of an international fund for economic development. In the Venezuelan delegation's opinion, the United States Government's

attitude was shaped by the existing international tension. Furthermore, the United States Government would not by any means be the only one unable to participate in the financing of a fund set up immediately; the Venezuelan Government was itself in difficulties over the execution of economic development programmes, and hence would be unable to join in financing the Special Fund. However, the Venezuelan Government did not regard that impossibility as an obstacle to the creation of the fund; on the contrary, it believed that a start should be made at once with the drafting of the statutes of a body which was essential to world peace and would be created sooner or later. New responsibilities fell upon countries aspiring to economic and social prosperity, which was unquestionably the basis of international peace and security. That aspect of the question had been brought out by the Chairman of the Venezuelan delegation when, in his statement on general policy made in plenary session,¹ he had referred to the tragic problem of the poverty and economic backwardness of certain countries. The Economic and Social Council had not ignored the need to find a solution to those problems, since in its resolution 482 (XVI) it had stressed the need for the Special Fund. For those reasons the Venezuelan delegation had joined nineteen other delegations in presenting the draft resolution contained in document A/C.2/L.206.

25. Venezuela had hitherto been able to finance its own programmes of economic development out of income from its petroleum industry. Venezuela's prosperity was in fact unstable because the development of the petroleum industry had resulted in a specialized economy based on the export of a single product and extremely sensitive to fluctuations in the price of that product. Moreover, Venezuela had to import essentials, particularly food. He cited figures showing that between 1948 and 1951 the percentage of foodstuffs in Venezuela's total imports had varied from 14.1 per cent

to 22.7 per cent. The situation had improved in 1952, however, as a result of government measures to encourage agriculture and stock-raising. The Venezuelan Government was also endeavouring to develop manufacture, which required large investments, and there was some doubt whether Venezuela could finance the entire programme for the development of its industry out of its own resources. Consequently it could not remain indifferent to the possibility of creating an international finance fund to which it could apply in an emergency.

26. A comparison of Venezuela's relatively favourable situation with that of other under-developed countries lacking the necessary financial resources clearly showed the importance of the work that awaited international finance agencies, particularly an international fund set up to finance, by grants-in-aid and low-interest long-term loans, programmes which did not yield a profit. The under-developed countries seldom had sufficient financial resources to pay for their own development. Imports of private capital should be supplemented by increased investments of international capital, as the Assembly had recognized in its resolution 400 (V), the preamble of which he cited. Hence the special fund should be made a reality to assist the millions of human beings who lived in hunger and want. That was why the Venezuelan delegation was a co-sponsor of the draft resolution contained in document A/C.2/L.206, which he hoped would receive the support of all who desired stability and a lasting peace.

27. Mr. JUNG (India), referring to the USSR representative's statement regarding his country, clarified his delegation's stand. The Indian Government felt that no possible measure to ensure the economic development of under-developed countries should be neglected. It favoured free trade and the elimination of all restrictions that hampered trade; but India believed that investments of foreign capital, from which it had benefited, had an important part to play and did not necessarily aim at the exploitation of under-developed countries.

The meeting rose at 12.30 p.m.

¹ See *Official Records of the General Assembly, Eighth Session, Plenary Meetings*, 444th meeting.