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**SECOND COMMITTEE, 269th  
MEETING**

**Friday, 30 October 1953,  
at 10.50 a.m.**

**New York**

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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.205, A/C.2/L.206/Rev.1, 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. SAWWAF (Syria) said that his delegation had followed the general discussion on the economic development of under-developed countries with great interest, because Syria was an under-developed country and because his delegation believed that the rapid development of the under-developed areas through international co-operation was the best means of ensuring world peace and security.

2. In accordance with the generally accepted principle that the economic development of under-developed countries depended primarily on their own efforts, the Syrian Government had since 1945 undertaken a number of projects without any outside financial assistance whatsoever. The projects, on which the equivalent of approximately \$10 million had been spent annually over a period of nine years, included the construction and improvement of hospitals, schools, experimental stations, public buildings, roads, bridges and railways. The Government had also improved agricultural credit facilities by increasing the capital of the Agricultural Bank. Two other important projects had been initiated in 1952: the construction of a modern port at Latakia and a large-scale drainage and irrigation programme. The Government was at present proceeding with those schemes without outside financial assistance, although it was considering a loan from the International Bank

for Reconstruction and Development. All the projects had been financed by ordinary budget appropriations and, in some cases, by Government-guaranteed loans from the Central Bank. The Government had also given attention to the promotion of industrial development. Some industries, such as cotton-weaving, soap manufacture, vegetable oil factories, and fruit and vegetable canning plants, had been established by private enterprise and financed by Syrian capital. The Government had also requested the International Bank to send a mission to Syria to study the country's possibilities and the preparation of a co-ordinated development programme.

3. Like the other under-developed countries, Syria realized that the work it had been able to undertake with its own resources was clearly not sufficient to ensure an acceptable standard of living for its people. A sound diet, medical care and satisfactory housing were still a luxury for a large section of the population. The dangers inherent in that situation had already been pointed out by a number of representatives.

4. It had been suggested that private capital could be attracted to the under-developed countries if the latter offered foreign investments a better reception. Mr. Sawwaf remarked that the unfavourable reception might be due, in part, to the feeling on the part of some governments that, in the past, some foreign companies had exercised undue influence on domestic, political and economic affairs. He felt that, under existing circumstances, the Syrian Government was obliged in the interests of balanced economic development to exercise some control over the fields in which foreign private capital could be invested. In any case he added, it was certain that general international insecurity and the restrictive practices of some developed countries were not likely to make the flow of foreign private capital in the next few years large enough to influence the economic development of the under-developed countries.

5. If domestic capital and foreign private investment could not finance the development of those countries, which was essential to the maintenance of peace and security, the only other possibility was international co-operation. That, he said, could take the form of either bilateral action or action through the United Nations and the latter had advantages that were so obvious and so often stated that there was no need to repeat them. The Economic and Social Council and the General Assembly had accordingly initiated the studies which had led to the two proposals for the establishment of a special fund and of an international finance corporation. His delegation was confident that those bodies would help to make the idea of international economic co-operation for economic development and social progress which was set forth in the Charter a reality. It was therefore somewhat disappointing that the United States had found it im-

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

possible to give positive support to the proposal. His delegation did not believe that the establishment of the Fund should be conditional on the reduction of armaments; on the contrary, the establishment of the Fund would have the effect of raising standards of living and removing the causes of discontent and might thus lead to a reduction in armaments. His delegation had therefore joined nineteen other delegations in submitting draft resolution A/C.2/L.206/Rev.1. Syria believed that it was essential to continue to work for the establishment of the Special Fund and that the report of the Committee of nine Experts was sufficiently detailed to enable governments to study the matter and present their comments. He hoped that the Committee would unanimously support the views set forth in draft resolution A/C.2/L.206/Rev.1.

6. The CHAIRMAN asked whether any member of the Committee wished to exercise his right of reply under rule 114 of the rules of procedure. As no representative wished to speak, he closed the general discussion and invited the Committee to consider the three draft resolutions on the question of establishing a special fund (A/C.2/L.204, A/C.2/L.205, A/C.2/L.206/Rev.1 and the proposed amendments A/C.2/L.207). He proposed that the Committee should first examine and vote on the United States resolution (A/C.2/L.204), which was more general. The Committee could then consider the other resolutions, which dealt with specific action to be taken in the immediate future.

7. Mr. MIR KHAN (Pakistan) thought that the three draft resolutions should be discussed simultaneously.

8. After a short exchange of views in which Mr. SALAMANCA (Bolivia), Mr. UMARI (Iraq), Mr. STANOVNIK (Yugoslavia), Mr. JUNG (India) participated, the CHAIRMAN proposed that each of the draft resolutions and the relevant amendments should be introduced by their respective sponsors; the Committee would then be in a better position to decide on the procedure to be adopted. There being no objection, he asked the United States representative to introduce his draft resolution (A/C.2/L.204).

9. Mr. ZELLERBACH (United States of America) explained that his draft resolution was intended to implement the recommendation contained in Economic and Social Council resolution 482 A II (XVI); the declaration in the last paragraph of draft resolution A/C.2/L.204 was taken verbatim from the Council's resolution. There appeared to be no need to discuss in detail the meaning of the declaration, the origins and significance of which he had already discussed in his general statement.

10. In listening to the discussion, he had the impression that some representatives had either been genuinely apprehensive or that they had been deliberately trying to misconstrue the United States position by suggesting that the United States intended to give absolute priority to defence requirements over the needs of the under-developed countries. The last thing the United States intended to suggest was that the job of economic development of those countries be postponed indefinitely. The United States was committed to assisting the under-developed countries in every way feasible. Moreover, the President of the United States had undertaken to request, as soon as circumstances permitted, substantial resources for an international development fund and the United States looked forward to the day when the international situation

would enable it to honour that pledge. Endorsement of the draft resolution contained in document A/C.2/L.204 would testify to the whole-hearted support of the principles set forth in the Charter and the high purposes of the United Nations.

11. Mr. MIR KHAN (Pakistan), introducing draft resolution A/C.2/L.205, said that during the general discussion his delegation had welcomed the pledge given by the United States and had expressed the hope that the Fund could be established before any savings had been achieved through disarmament. The United States draft resolution, under which the possibility of devoting additional resources to the financing of economic development of under-developed countries would be considered as soon as sufficient progress had been made in disarmament, was most encouraging and deserved support.

12. The idea of establishing the Fund had been approved by both under-developed and developed countries, and the work already done should be continued, even if the principal potential contributors were not in a position to make a contribution at the present time. Greece, Haiti and Pakistan had therefore submitted draft resolution A/C.2/L.205. They considered that the comments of governments should be studied by the Economic and Social Council, which appeared to be the appropriate body to consider the matter.

13. The sponsors of the draft resolution contained in document A/C.2/L.205 did not think that the contact group proposed in the twenty-Power draft resolution would serve any useful purpose. In their opinion, the Secretary-General was the person best qualified to communicate with governments. The appointment of a contact group would involve expenditure and might give rise to political difficulties. In any case, it was unlikely that the group would be able to win over countries which did not already support the scheme. The sponsors of draft resolution A/C.2/L.205 had attempted to indicate what could be done at the present time. The action proposed could, he thought, be approved by both the under-developed and the industrialized countries. As draft resolution A/C.2/L.205 was substantially similar to the twenty-Power draft resolution, he hoped that the sponsors of the latter would be able to accept it. In any event, the delegations sponsoring A/C.2/L.205 were prepared to consider any suggestions that might be made with a view to obtaining wider support for their draft resolution.

14. Mr. ZOLOTAS (Greece) explained that the sponsors of draft resolution A/C.2/L.205 felt that the highly developed countries which were not at present prepared to contribute to the Special Fund might change their minds and that it was essential not to let the matter drop. The proposal must be kept under consideration and studied in detail. He and his colleagues had tried to put forward a text that could be accepted by the highly developed countries, so that it could be approved unanimously, or at least by a large majority, including the principal countries. They hoped they had succeeded, as the United Kingdom representative had said that he would perhaps be able to accept the resolution with some amendments.

15. Mr. CHAUVET (Haiti) outlined the dangers that would threaten the world if the Committee did not find ways and means of establishing economic security. The problem had been examined from the technical, legal, economic, financial and other standpoints; and from

every point of view the establishment of a Special Fund was desirable. At present the United Nations was like a large club in which the sixty members were playing poker. Eventually, only one winner remained. The only way of continuing the game was for the winner to redistribute some chips to the other players who no longer had any. Obviously, the winner could get up and walk out. If he asked for time to think the matter over, his hand could not be forced. In the United Nations, the United States at present had all the money, and the under-developed countries no longer had any. The United States was asking those countries to wait until a system of supervised disarmament was established. The under-developed countries were discouraged, because after nearly seven years no progress had been made in that direction. His delegation had joined the delegations of Greece and Pakistan in submitting draft resolution A/C.2/L.205 to ensure that the proposal to establish the Special Fund would not be dropped. The sponsors of the draft resolution had not asked for more, because they knew that nothing was gained by asking too much.

16. He reminded the United States representative that President Roosevelt had named the four essential freedoms in a message to Congress: they were freedom of speech and expression, freedom of religion, freedom from want (economic understandings) and freedom from fear (world-wide reduction of armaments). It should be observed that reduction of armaments came after the conclusion of economic agreements. Those four essential freedoms had become the gospel of genuine democrats.

17. Mr. JUNG (India) presented the joint draft resolution contained in document A/C.2/L.206/Rev.1 on behalf of its twenty sponsors. There was no need to go over the history of the proposal to establish a special fund for grants-in-aid and for low-interest long-term loans, but it should be pointed that when the Indian delegation had first proposed to the Members of the United Nations in 1950 that they should consider the possibility of devoting some of the savings achieved through disarmament to the development and reconstruction of the under-developed countries,<sup>1</sup> it had had no thought of linking that idea to the entirely separate proposal for the setting up of a special fund, still less of making the establishment of such a fund conditional on disarmament. Moreover, the declaration made in April 1953 by the President of the United States of America did not justify qualifications of that kind. The Indian delegation was prepared to support the United States draft resolution (A/C.2/L.204) based on President Eisenhower's declaration, which the Economic and Social Council had repeated in part II of resolution 482 A (XVI). However, the Council had obviously intended part II to be inseparable from part I, in which the Council recommended the Assembly to consider "what other preparatory steps might usefully be taken" towards the establishment of an international development fund. If the Committee adopted the United States draft resolution and took no other preparatory steps towards the establishment of the Special Fund, it might give the impression that it accepted the argument that the United Nations should not set up a special fund until disarmament had been completed: the joint draft resolution was intended to avert that danger.

<sup>1</sup> See *Official Records of the General Assembly, Sixth Session, Annexes*, agenda item 66, document A/C.1/669.

18. Comparing the twenty-Power draft resolution and the three-Power draft resolution (A/C.2/L.205), he said that the only important difference between them was that the former provided that a small contact group composed of persons of high standing should be appointed to consider the comments of governments and to consult, if necessary by personal visit, in those cases where it considered consultation to be desirable. In that connexion, he pointed out that a precedent had been established in the case of UNICEF when Mr. Spaak had been appointed to visit the capitals of Member States to interest them in UNICEF's work. The proposed contact group would have a similar function; it was not intended to act as a pressure group, but merely to supply governments with fuller information about the Fund's operation: that point could be made clear in its terms of reference. The sponsors of the joint draft resolution thought that the contact group would be the most appropriate body to consider the comments of governments and report on them to the General Assembly, so as to enable the Assembly to make recommendations at its ninth session that could facilitate and accelerate the establishment of the Fund. They had no objection in principle to the matter being referred to the Economic and Social Council, but were afraid that that procedure would be too slow.

19. The sponsors of the twenty-Power draft resolution had tried to put forward a draft acceptable to as many delegations as possible. If the Greek, Haitian and Pakistan delegations felt they could accept the proposal to appoint a contact group, the sponsors of the twenty-Power draft resolution would be prepared to accept any amendments that might be suggested to them to bring their draft into line with the three-Power draft. They had shown their willingness to compromise by accepting most of the amendments suggested by the Netherlands delegation (A/C.2/L.207) and by deleting from their initial text the reference to the drafting of statutes.

20. At the previous meeting, he had noted with interest that the United Kingdom representative had indicated (268th meeting) that his delegation was prepared to compromise and would consider voting in favour of the three-Power draft resolution if it were slightly amended. He ventured to hope that all members of the Committee would show the same conciliatory spirit, and that it would be possible to take a unanimous decision on a matter which so directly concerned the well-being of mankind.

21. Mr. HALIQ (Saudi Arabia) said it was clear from the general discussion which had just concluded that most members of the Committee thought that the first stage, that of studies and reports, had ended, and that it was time to proceed to a more constructive stage. The Council had made definite recommendations on that point in resolution 482 A (XVI) and the Committee should take them into account.

22. The twenty-Power joint draft resolution (A/C.2/L.206/Rev.1) did not go as far as some of its sponsors had originally hoped. Indeed, a number of delegations had intended to recommend to the General Assembly the establishment of a drafting committee without delay to draw up the statutes of the Fund; those delegations had also felt that the contact group should immediately request contributions from governmental and non-governmental sources: that was a measure of their enthusiasm. The statement made by the United States representative had quickly damped their ardour.

The joint draft resolution before the Committee therefore represented what its twenty sponsors felt could actually be achieved in the present circumstances, taking into account the recommendations of the Committee of nine Experts and the opinions voiced during the general discussion.

23. In conclusion he drew the Pakistan representative's attention to the fact that the appointment of the proposed contact group would not involve any great expenditure. In any case, the United Nations sent visiting missions to the Trust Territories: the cause of economic development seemed at least equally important and might, if necessary, justify some sacrifice.

24. Mr. SALAMANCA (Bolivia) said that, as a co-sponsor of the twenty-Power draft resolution, the Bolivian delegation had little to add to the Indian representative's statement. He wished to remind representatives, however, that the idea of creating a special United Nations fund for development had originally been presented to the Economic and Social Council by the Chilean delegation, which had at numerous sessions faithfully represented and zealously served the views and the cause of the Latin-American republics.

25. In the present instance, however, he believed that it was much more important to provide a firm basis for co-operation between the more developed and the under-developed countries than to adopt a resolution at any cost. It was equally important not to dash the hopes that the prospect of the creation of the Special Fund had kindled in the world. It should be borne in mind that the economic situation of the under-developed countries had become increasingly difficult during the years that the United Nations had already devoted to the consideration of the project. He therefore asked representatives to make every effort to seek a basis for agreement before discussing the priority to be given to the various proposals.

26. Mr. STANOVNIK (Yugoslavia) said that the draft resolution (A/C.2/L.206/Rev.1) of which his delegation was a co-sponsor embodied the principles that the head of the Yugoslav delegation had outlined to the Committee. The draft was the result of its sponsors' effort to achieve unanimity. At the outset an effort had been made through unofficial consultation to prepare a single draft resolution that might enlist the support of the representatives of the industrial Powers. That effort, however, had been unsuccessful, and the Greek, Haitian and Pakistan delegations had found it necessary to present a separate joint resolution. The Committee thus had before it two drafts presented by two groups of under-developed countries—a division which he found regrettable. He called attention to the conciliatory spirit that the twenty sponsors of the revised draft resolution had shown in agreeing to embody in their draft the essential features of the Netherlands amendment (A/C.2/L.207), without requiring any substantial changes in the text of that amendment. They hoped that they had accomplished constructive work in preparing a draft which, while far from representing a maximum programme like the proposals submitted to the Economic and Social Council at its sixteenth session, was the result of unofficial consultation. The twenty delegations that had joined in submitting draft resolution A/C.2/L.206/Rev.1 had wished to state the principle that the existence of the Special Fund could not be tied inseparably to the possibility

of world disarmament. On the other hand, the representatives of the under-developed countries were aware that circumstances did not permit the immediate establishment of the Fund. While they realized that it was necessary to wait until the time was ripe, they wished to take certain steps towards the creation of the Fund and had therefore proposed that governments should be consulted. They had felt that such consultation might facilitate the subsequent drafting of the statutes of the Special Fund, although they had dropped the proposal concerning the taking of immediate steps to draft the statutes, as that proposal seemed to be unacceptable to the representatives of the more developed countries. He therefore requested the Committee members to regard the revised draft resolution as representing the minimum sought by the under-developed countries.

27. The United States draft resolution (A/C.2/L.204) was concerned with the long-term solution of the problem, whereas the two other drafts (A/C.2/L.205 and A/C.2/L.206/Rev.1) were concerned with short-term measures to prepare for the establishment of the Fund. It would therefore be useful to take a decision first on the United States draft and then to consider concurrently the other two drafts, which had common features. As the twenty Powers had embodied in their draft all the positive elements of that submitted by the Greek, Haitian and Pakistan delegations, he could see no point in setting up a working party. He reserved the right to speak later on the draft resolutions and the amendments.

28. Mr. MIR KHAN (Pakistan), on a point of order, enquired from the Chairman whether, in referring to the circumstances in which the other draft resolution was drafted, the Yugoslav representative was keeping to the terms of reference which were to present the draft resolution of which his own delegation was a co-sponsor.

29. The CHAIRMAN replied that it was difficult for him to rule on the point. It was his view, however, that the representative of Yugoslavia could have shown more restraint in referring to matters related to the genesis of the draft resolution.

30. Mr. MIR KHAN (Pakistan) thanked the Chairman for his explanation. He had nothing further to add.

31. Mr. CHAUVET (Haiti) thought it advisable to avoid polemics between two groups of representatives of under-developed countries on the presentation of two draft resolutions which were designed to serve common interests. At the beginning of the unofficial negotiations to which the Yugoslav representative had referred, the Greek, Pakistan and Haitian representatives had been selected to establish contact with the United States representative. Without waiting for the report of those three representatives and without informing them, the delegations of the twenty Powers had held meetings and prepared a draft resolution of their own; the Greek, Pakistan and Haitian representatives had therefore decided to submit their own draft. The twenty-Power draft had, however, many features in common with the draft submitted by Greece, Haiti and Pakistan. There was no point holding a *post mortem* on the incident which he regarded as closed. He would remain in association with the two delega-

tions which had joined with Haiti in submitting the draft resolution contained in document A/C.2/L.205, in order to show that he preferred the text of the three Powers to that of the twenty delegations.

32. Mr. JUNG (India) felt that it would be regrettable to dwell on the misunderstanding arising from the Yugoslav representative's statement regarding the genesis of the two draft resolutions. He hoped that the sponsors of the two drafts would be able to reconcile their points of view.

33. Mr. JONKER (Netherlands) was gratified that the sponsors of the original joint draft resolution (A/C.2/L.206) had taken his delegation's amendment (A/C.2/L.207) as a basis in preparing the revised text (A/C.2/L.206/Rev.1), but felt that he should submit his amendment since the idea behind it embraced much more than the mere words could express.

34. At least during the general debate the Netherlands delegation had, broadly speaking, heard two ideas expounded: one that tied development closely to disarmament, and another that denied that there was any connexion between the two things. It was the view of the Netherlands delegation that, although something could be said for both opinions, in practice the question must be seen from quite a different point of view. In short, the question of the establishment of a special fund, whether it be now, sooner or later, was one that had to be considered in a much wider context than that of rearmament or economic development. In submitting its amendment the Netherlands delegation had wished to stress that the economic and social advancement of the under-developed countries could also contribute towards the maintenance of international peace and security and that the establishment of a special fund should be considered in that context.

35. The two new paragraphs proposed for, and now inserted in, the preamble of the twenty-Power draft resolution followed directly from those arguments. In that wider context, after the insertion of the two new paragraphs, there was no reason to retain a paragraph maintaining only one of the complex cases of world tension. In his view it would even mean a weakening of the case to go ahead with the consideration of the Fund. He had therefore proposed the deletion of the paragraph on disarmament.

36. With regard to the new text proposed for the operative part, he believed that the work of a group or person could give the Assembly the benefit of a better insight into government thinking on the question of establishing a fund. There also seemed to be some reluctance among representatives to envisage the prospect of a visit that could perhaps best be described as a selling mission which would have no clear terms of reference, a mission that would have to "explain and further the idea of such a fund in different countries". He thought that many Member States would not welcome such a mission if it were to go and talk to anybody but to its government. He thought the Netherlands amendment offered a more acceptable solution. It would have the Assembly create a small contact group; it defined its terms of reference, and stated that the group should talk to governments once they had given their views on the report, and therefore given a clear-cut basis for discussion. The representatives of the twenty Powers, instead of deleting that paragraph as the amendment recommended, had re-

placed it by two paragraphs taken from the preamble of the three-Power joint draft resolution. He had not considered that possibility in his amendment and had not proposed to amend the three-Power joint draft resolution, or for that matter, the United States draft resolution in that sense.

37. With respect to the operative part the Netherlands delegation had recommended that a contact group should be set up because it felt that it was important to learn the views of governments regarding the Special Fund. He was glad that the sponsors of the original joint draft resolution (A/C.2/L.206) had taken that amendment into account even though they had somewhat modified the text. He preferred the wording of his own amendment.

38. The present text he found too loose and too open to misinterpretation. He was, however, prepared to consider other suggestions that might lead to reconciliation between the two groups. In that connexion the remarks of the Indian representative were most helpful, as were his remarks as to whether the matter should subsequently be studied by the Economic and Social Council or by the General Assembly at its ninth session.

39. He did not regard the wording of his amendment necessarily as final. The main reason for drafting an amendment at all was the fact that there were several groups in the Committee which were not divided by considerations of principle, but merely by considerations of expediency; in a working group they might agree on a text acceptable to the largest possible majority. Any such solution could not be reached as long as there were two competing drafts. He hoped that the amendment would facilitate the reaching of an agreement and for that reason he supported the proposal to set up a working group.

40. Mr. UMARI (Iraq) explained that the sponsors of the draft resolution, which included his delegation, had tried to find a basis for agreement with the governments of the industrial countries. He was glad that he had moved (260th meeting) the suspension of the discussion for a day or two in order to reach an agreement, as his proposal had been fruitful. His delegation attached great importance to the creation of a contact group, which would undoubtedly play a useful role. He thanked the Netherlands representative for his efforts to reconcile rather divergent points of view.

41. Sir Clifford NORTON (United Kingdom), in the hope of promoting harmony and expediting the work of the Committee, formally proposed (a) that the United States draft resolution should be considered first and voted upon separately; and (b) that a working party of a reasonable size be set up to study the two draft resolutions (A/C.2/L.205 and A/C.2/L.206/Rev.1) together with formal or projected amendments thereto, with a view to submitting a draft acceptable to the representatives of the under-developed and the industrial countries.

42. Mr. DE SEYNES (France) favoured the establishment of a working party and would submit amendments which the working party, if established, might consider directly.

43. Mr. MARZOUK (Egypt) stated that his delegation reserved the right to submit amendments to the

United States draft. He did not feel able to support the proposal to set up a working party.

44. Mr. STANOVNIK (Yugoslavia) was prepared to accept the idea of setting up a working party, provided that it would include representatives of both the under-developed and the industrial countries.

45. Mr. ARKADYEV (Union of Soviet Socialist Republics) felt that it was essential to ascertain the views of the representatives of under-developed coun-

tries that had submitted draft resolutions regarding the setting up of a working party.

46. Hr. HALIQ (Saudi Arabia) accepted the United Kingdom proposal that the United States draft resolution should be considered separately, but felt that the results achieved by the working party should be known before a vote was taken on the United States draft.

The meeting rose at 1.35 p.m.