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Chairman: Mr. Leo MATES (Yugoslavia).

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

(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 put the draft resolution contained in document A/C.2/L.213 to the vote, paragraph by paragraph.

The first paragraph of the general preamble was adopted unanimously.

The second paragraph of the general preamble was adopted unanimously.

The third paragraph of the general preamble was adopted unanimously.

The fourth paragraph of the general preamble was adopted by 36 votes to none with 5 abstentions.

The first paragraph of the preamble of part I was adopted unanimously.

The second paragraph of the preamble of part I was adopted unanimously.

The third paragraph of the preamble of part I was adopted unanimously.

Paragraph 1 of part I was adopted by 44 votes to none, with 5 abstentions.

Paragraph 2 of part I was adopted by 43 votes to none, with 5 abstentions.

Paragraph 3 of part I was adopted by 43 votes to none, with 5 abstentions.

Paragraph 4 of part I was adopted by 44 votes to none, with 5 abstentions.

Paragraph 5 of part I was adopted unanimously.

The first paragraph of part II was adopted by 44 votes to none, with 5 abstentions.

The second paragraph of part II was adopted unanimously.

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

The third paragraph of part II was adopted unanimously.

The first paragraph of part III was adopted unanimously.

The second paragraph of part III was adopted unanimously.

The draft resolution as a whole was adopted by 46 votes to none, with 5 abstentions.

2. Mr. PERRY (New Zealand) congratulated the working group for the way in which it had discharged the difficult tasks assigned to it, and said he wished to explain his vote on the three draft resolutions embodying the results of its work.

3. The New Zealand Government had been guided by its sympathy for the under-developed countries and its concern for their needs. Its sympathy, like that of other Member States, had been manifested by practical action within and outside the United Nations. New Zealand's contributions to the Expanded Programme of Technical Assistance and other United Nations programmes of economic and social aid to the under-developed countries, though small, perhaps, in absolute terms, were by no means insignificant, and were proportionate to New Zealand's resources. Outside the United Nations, through the Colombo Plan, New Zealand was making contributions for economic and technical assistance in South and South-East Asia.

4. On the other hand, the New Zealand Government had had to take into account the fact that an expected increase in its population of 50 per cent in the next twenty years would necessitate increasingly heavy development expenditures, in particular for the production of electricity, the expansion of railway services and the means of production and distribution, and the construction of schools and housing. During 1953, New Zealand had been obliged to reduce expenditure on planned development projects by over 10 per cent, in order to maintain its economy on a sound basis.

5. In the general debate, comparisons had been drawn between the current level of defence expenditures and the minimum initial capital of \$250,000,000 for the Special Fund suggested by the Committee of nine Experts. In the New Zealand delegation's opinion, that comparison was misleading. Defence expenditures in the free world were not adjusted to optimum levels of national budgets; on the contrary, they imposed a heavy burden, borne only because the defence of the free world and of the principles of the United Nations demanded the sacrifice. When those expenditures were reduced, the savings would not necessarily be available for the creation of a special fund for economic development. As matters stood, defence expenditures and the country's own development needs made it impossible for New Zealand to accept at present any commitment in that direction.

6. In that connexion, he wished to make it clear that, if support of the draft resolutions contained in docu-

ments A/C.2/L.212 and A/C.2/L.213 had involved firm commitments to contribute at some later date to a special fund or to an international finance corporation, his delegation would have had no option but to abstain; however, it had not interpreted the draft resolutions in that way. The discussions had made it clear that there was no practicable basis on which the Assembly could have moved at the present time to establish either a special fund or an international finance corporation. The question had been to decide the limits within which there was a basis for agreement on further studies. His delegation was prepared to support proposals for the further study of the desirability and practicability of setting up a special fund or a finance corporation, but it could not support proposals which prejudged in any way the merits of such a fund or corporation, or which implied an obligation of monetary support at some later date.

7. The New Zealand delegation's attitude had also been influenced by the language of the draft resolutions. In certain paragraphs it would have preferred an alternative wording, but the resolutions, read as a whole, did not prejudice the action which the Assembly should take at its ninth session or commit governments to any particular course of action. In essence, they provided only for further study of the desirability and practicability of setting up a special fund or international finance corporation for the economic development of the under-developed countries.

8. The New Zealand Government was not in a position to accept a commitment to contribute any savings that it might be able to achieve through the reduction of its armament expenditures to an international fund to assist development and reconstruction in under-developed countries. Nevertheless, in voting for the United States draft resolution (A/C.2/L.204), which was a further contribution by a nation that had already given so many proofs of its generosity towards the under-developed countries, the New Zealand delegation had desired to express its support of the great principle of international co-operation on which the declaration contained in the draft resolution was based.

9. One of the considerations guiding the New Zealand delegation in its vote had been the attitude of the countries directly concerned, including both the under-developed countries and those developed countries, without whose support no effective action could be taken. The spirit of compromise shown in the working group had encouraged the New Zealand delegation to vote for the draft resolutions.

10. Sir Clifford NORTON (United Kingdom) was glad that the Committee had been able to reconcile the various points of view in the three draft resolutions which had just been adopted. There had existed and still continued to exist two schools of thought regarding the timing of the setting up of a special fund. There were also differences of opinion regarding the establishment of an international finance corporation. In the latter case, there was the further difficulty that some governments, including the United Kingdom Government, had been unwilling to commit themselves even to the principle of establishing an international finance corporation. Thus, substantial concessions on both sides had had to be made to reach agreement. Nevertheless, that agreement had been necessary. Any disagreement or refusal to accept a compromise on a matter that required the co-operation of both the under-developed and the more-developed countries would have had most

unfortunate results. The United Kingdom delegation had been guided by those considerations throughout the discussion.

11. The United Kingdom delegation had voted for the United States draft resolution because it was based on an excellent idea which offered great possibilities for the future. The resolution was, however, somewhat unusual in form, and his delegation would not like it to be interpreted as a statement by the General Assembly on behalf of the governments of Member States.

12. With regard to the draft resolution contained in document A/C.2/L.212, the United Kingdom delegation approved in principle of the idea of establishing a special fund but did not believe that the Fund could be established before there had been a reduction in armaments. His delegation had been able to support the draft resolution because that point had not been mentioned and because no provision had been made for establishing a fund in the near future. The idea of the fund had not been dropped, and the matter would continue to be studied. Although it did not at present see how it could contribute to the Fund financially, the United Kingdom delegation would be happy to co-operate with Mr. Scheyven, who was certainly well qualified to carry out the important work that had been entrusted to him.

13. His delegation had voted for the draft resolution concerning the establishment of an international finance corporation; but that did not mean that the United Kingdom Government had made any commitment concerning the principle involved in the establishment of such a corporation. Although his delegation had in principle approved the establishment of a special fund, it had serious doubts concerning the potential value of an international finance corporation. It had been able to vote for the draft resolution concerning the establishment of an international finance corporation only because paragraph 2 of part I was drafted in the conditional mood.

14. The United Kingdom Government was prepared to collaborate in all the studies which had been recommended, and it appreciated the desire of the under-developed countries to see progress made in those studies. He had already referred to the commitments made by his Government with regard to territories for which it was directly responsible. The good will of the United Kingdom could not be questioned, but that country had been forced to consider the situation realistically. He was convinced that the work done by the Committee had been very useful, because it had contributed towards a clearer idea of the conditions in which progress could be made in the economic development of under-developed countries.

15. Mr. ZOLOTAS (Greece) said that he had already had an opportunity to state his delegation's views, both in the working group and in the Committee, and felt that it was unnecessary to do so again. He was pleased that the Committee had been able to reach agreement and that the three resolutions had been adopted without opposition.

16. Mr. BUSTAMANTE (Chile) said that the resolution concerning the establishment of an international finance corporation was only one step along the way to practical results. His delegation had voted for the draft resolution contained in document A/C.2/L.213, even though it would have preferred a more precise text. His delegation did not underestimate the importance to the

economic development of under-developed countries of the contributions of foreign private capital, which enabled those countries to develop their natural resources and their industries and thereby raise the standard of living of their peoples. He wished, however, to point out that the assistance provided by foreign private capital must remain subject to the limitations imposed by the legislation of the beneficiary country; foreign private investors must not receive privileged treatment as compared with domestic investors. It was in the light of those considerations that the Chilean delegation had voted for the draft resolution. He described to the Committee what his Government had done to protect the foreign private investments necessary for the economic and industrial development of Chile: the status of investments had been defined by a government decree with a view to encouraging the flow of foreign capital; in particular, the decree assured foreign investors that they would be able to repatriate both income and capital. He stressed the great importance of that guarantee.

17. Commenting on the economic development of under-developed areas, he pointed out that exports of raw materials were the principal source of income of those areas. That was true, for example, of Chile, whose principal resource was copper. The under-developed countries could not prosper or even subsist unless they obtained a fair price for their raw materials on international markets. He therefore appealed to the great industrial countries to reconsider their present attitudes and apply a policy of fair prices for raw materials. In that way they would best contribute to the efforts of the United Nations to eliminate misery and want.

18. Mr. EL-TANAMLI (Egypt) said that his delegation had voted for the three draft resolutions discussed by the Committee.

19. With regard to the United States draft resolution (A/C.2/L.204), he reminded representatives that his delegation had submitted an amendment, but had withdrawn it as soon as an explanation had been given that the establishment of the Special Fund would not be contingent on the achievement of internationally supervised disarmament.

20. The working group's draft resolution concerning the Special Fund (A/C.2/L.212) was partly based on a text (A/C.2/L.206) which the Egyptian delegation had helped to draft. He had voted for the draft resolution because he believed that it would facilitate the rapid establishment of the Special Fund. He welcomed the appointment of Mr. Scheyven and was confident that his efforts would meet with complete success.

21. He had also helped to prepare the draft resolution contained in document A/C.2/L.213 and had voted for it. He pointed out that the French text of the fourth paragraph of the general preamble of that draft resolution should be modified so as to follow the English text more closely, and that the word "*Unies*" was missing in the third line.

22. Mr. DE SEYNES (France) joined the Egyptian representative in requesting that the Secretariat should bring the French text into line with the English.

23. The CHAIRMAN said that it would have been better to point out corrections to be made in the French text before a vote had been taken, but that, if there was no objection by any delegation, the Secretariat could

make those corrections before the final text was submitted to the Assembly.

It was so decided.

24. Mr. USCOCOVICH (Ecuador) said that his delegation had voted for the three draft resolutions discussed by the Committee. The resolution concerning the establishment of an international finance corporation (A/C.2/L.213) would help to create the climate of confidence necessary for the economic development of under-developed countries. The delegations of those countries might be disappointed that their enthusiasm and aspirations had again failed to be translated into fact, but it was a matter for gratification that the resolution helped to preserve faith in the United Nations, which should work unrelentingly to promote economic development and higher standards of living.

25. The CHAIRMAN said that the Committee had completed its work on agenda item 26. He announced that the Rapporteur intended to submit his report on that item shortly, and expressed the hope that the Committee would adopt it as soon as possible.

Report of the Economic and Social Council, chapters II and III (A/2430)

[Item 12]*

26. The CHAIRMAN said that it was difficult to deal with general economic questions apart from economic development, and that delegations had had an opportunity to speak at length on general economic questions during the consideration of the economic development of under-developed countries. Debate on the item before the Committee should therefore be considerably simplified. He pointed out that time was pressing and that the Committee would have to hold its next meeting on Saturday, 28 November.

27. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that, although delegations might have had an opportunity to deal with miscellaneous economic problems by discussing them in connexion with the economic development of under-developed countries, that opportunity had not been utilized by all delegations, some of which had believed that the world economic situation was a particularly important matter and deserved special attention. Such was the case with the USSR delegation, which in that respect was following a well-established tradition of the Second Committee. He would therefore like to be included in the list of speakers wishing to discuss agenda item 12. He intended to make his statement at the meeting to be held on Saturday, 28 November.

28. Mr. BIRECKI (Poland), Mr. KAIGL (Czechoslovakia), Mr. KRIVEN (Ukrainian Soviet Socialist Republic) and Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) said that their respective delegations also proposed to speak on the report of the Economic and Social Council. They did not, however, wish to specify the dates on which they would make their statements.

29. Mr. UMARI (Iraq) thought that the USSR representative might be the only speaker at the meeting to be held on 28 November and formally proposed that the meeting should be postponed to the following week.

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

The delay would give delegations time to consult the documents before the Committee.

30. Mr. DE SEYNES (France) objected to the Iraqi representative's motion.

31. Mr. STANOVNIK (Yugoslavia) said that, if, after the USSR representative had spoken, no other speaker wished to take the floor at the meeting on 28 November, the Committee could deal with the matters which it had decided to postpone at the 278th meeting.

32. The CHAIRMAN said, in reply to the Yugoslav representative, that the Committee would come to a decision on those matters after it had taken note of the report.

33. He called for a vote on the Iraqi representative's motion not to hold a meeting on Saturday, 28 November.

The motion was rejected by 19 votes to 4.

The meeting rose at 12.15 p.m.