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**Chairman:** Sir Douglas COPLAND (Australia).

*In the absence of the Chairman, the Vice-Chairman, Mr. Umari (Iraq) took the chair.*

**AGENDA ITEM 25**

**Economic development of under-developed countries (A/2686,<sup>1</sup> A/2702):**

- (a) **Question of the establishment of a Special United Nations Fund for Economic Development: summary by the Secretary-General of comments of Governments on the report of the Committee of Nine, report of Mr. Raymond Scheyven and report of the Economic and Social Council (A/2646 and Add.1 to 3, A/2727 and Corr.1, A/2728 and Corr.1<sup>2</sup>);**
- (b) **Question of the establishment of an international finance corporation: report of the Economic and Social Council;**
- (c) **International flow of private capital for the economic development of under-developed countries;**
- (d) **Land reform**

**GENERAL DEBATE**

1. The CHAIRMAN, opening the general debate on the economic development of under-developed countries, announced that Mr. Scheyven's report (A/2728 and corr. 1) and the report of the Economic and Social Council (A/2686) had been distributed in English, French and Spanish.

2. To the request made by Mr. EL TANAMLI (Egypt) that his name be deleted from the list of speakers in the general debate until Mr. Scheyven had

<sup>1</sup> Official Records of the General Assembly, Ninth Session, Supplement No. 3.

<sup>2</sup> Ibid. Supplement No. 19.

addressed the Committee on the question of the Special United Nations Fund for Economic Development, the Chairman declared that the Committee was engaged in the general debate and the Egyptian delegate's intervention presupposed that Mr. Scheyven would address the Committee before the conclusion of the general debate. No delegation had until then moved that Mr. Scheyven should so address the Committee and until such a proposition was formally presented, the Committee should proceed with the general debate.

3. Mr. BRILEJ (Yugoslavia) said that the Secretary-General had drawn attention in his annual report (A/2663)<sup>3</sup> to two long-range problems—the tendency of population to increase faster than food production and the increasing disparity of standards of living in various parts of the world—and had warned that if left unchecked those tendencies might be more dangerous than the conflicts that currently monopolized attention. Those two trends were, however, but a part of the extremely complex problem of the under-developed countries. Although mankind as a whole was becoming increasingly conscious of the vital importance of solving the problem, there had been increasing criticism of the views that had developed within the United Nations.

4. It was argued that all countries were under-developed, since there was room everywhere for technical innovations, more productive exploitation of natural resources and increased output. The terms "developed" and "under-developed" were, however, relative and as such useful in making general appraisals. Since standards of living as well as prices were evaluated relative to the situation in the most productive countries, it was reasonable to call the less productive countries economically under-developed.

5. The view had also been expressed that the exaggerated use of statistical aggregate values and relative indices had led to completely erroneous conclusions. Again, while statistics were not infallible, their relative value was considerable. For example, the difference between the *per capita* incomes of certain countries and that of the United States was so striking that no additional statistical measurements were necessary to show the unbelievable abyss between the few highly developed industrialized countries and the many under-developed countries.

6. It had also been maintained that no single criterion could be applied to all the economically backward countries and that various types of under-development should be distinguished. However, while there were differences in historical development and in economic structure, such countries were faced with similar, if not identical problems at the international level. All were largely agricultural and needed to develop their industries; all had a relatively low rate of saving and had to seek foreign loans and investments; all exported large

<sup>3</sup> Ibid. Supplement No. 1.

amounts of raw materials and were anxious to avoid sharp fluctuations in international markets.

7. The problem did not lie simply in the extreme differences between average incomes, average productivity, life expectancy, infant mortality rate, illiteracy etc. but also in the wide discrepancy between the rate of economic growth of the developed countries and of the under-developed countries. The Economic Commission for Latin America had, concluded, for instance, that if the *per capita* product of the Western Hemisphere were to grow at the annual rate of 2.5 per cent, it would take South America 255 years to achieve one third of the average *per capita* income of North America.<sup>4</sup>

8. Increased economic growth was impossible without technical progress which was itself dependent upon additional capital investment. The Food and Agricultural Organization (FAO) had stated in its 1949 study of international investment and financial facilities (E/1333)<sup>5</sup> that the average savings in India did not exceed two to three per cent of the national income, in Chile five to eight per cent while in the United States and the United Kingdom they amounted to ten to fifteen per cent. If those trends persisted the existing differences in living standards would become even greater.

9. Such inequalities in economic growth were indicative of the gravity of the problem. They not only added to the differences in *per capita* income between the developed and the under-developed countries but they also upset international markets and caused fluctuations in raw material prices. More and more responsible individuals and statesmen were beginning to recognize those facts. As Mr. Scheyven had said in his report, the economic solidarity of the peoples was becoming an essential element of policy since the poverty of one group limited the advancement of the others.

10. The present world economic situation demonstrated the need for a more energetic and daring approach to the problem of assistance to the under-developed countries under the auspices of the United Nations.

11. The relative position of under-developed countries was deteriorating. For example, as the report of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT), *International Trade 1953*<sup>6</sup>, showed, the rate of growth of international trade in 1953 had lagged far behind the rate of growth of world production. The inevitable result had been the reduction of imports in the raw-material producing countries. In most of the under-developed countries, which depended largely upon export income for their investment plans, there had been a disastrous decline in the rate of investment. Those effects of the deterioration of the international economic climate had been intensified by a simultaneous contraction of the flow of international private capital.

12. The dubious situation existing with regard to world food supplies added to the problems of the under-developed countries. After several post-war years of insufficient production, there had been surpluses in the main producing countries, although FAO statistics showed that 59.9 per cent of the world's population still obtained less than 2,200 calories a day.

13. The world's economic problems required immediate action but no one single mechanism could eliminate every difficulty. The specialized agencies, the programme of technical assistance and the International Bank for Reconstruction and Development had all done much to help backward economies but there was still a great need for additional international financial assistance. Many projects that were not commercially profitable were of vital importance to economic development but could not be financed by existing international bodies. At the same time the international circulation of capital had fallen to one half of the 1920 level. The Special United Nations Fund for Economic Development (SUNFED) had been proposed as a means of dealing with that situation.

14. The establishment of the special fund would not provide a universal panacea. On the contrary, every source of international or national capital would have to be fully explored. His delegation favoured the idea of establishing the international finance corporation but stressed that the establishment of such a corporation would not settle the problems of investments in basic projects, upon which future progress depended. Countries should not be faced with the alternative of choosing between the corporation and the special fund. The establishment of the special fund was a prerequisite for the success of both the corporation and of existing financial organs.

15. With regard to the possibility of establishing the special fund, he noted that the idea of setting it up had been universally accepted. His Government for its part had stated its readiness to contribute what it could to the fund. Many countries even today could reduce their burden of armaments and by making a substantial contribution to the fund show that they were really willing to disarm.

16. His delegation whole-heartedly shared the hope expressed by the Netherlands representative at the 480th plenary meeting of the General Assembly on 27 September that it would be possible to reach agreement on the establishment of SUNFED at the present session. It seemed that the time was ripe for electing a committee to prepare a draft statute of the special fund on the basis of the report of the Committee of Nine (E/2381)<sup>7</sup>, the replies of Governments to the and discussions at the present session and in the Economic and Social Council.

17. His delegation also considered that Mr. Scheyven's mission had been of primary importance and that his mandate should be extended.

18. At the same time his delegation felt that the attention of governments should be drawn to the fact that the special fund would not be able to finance projects unless the technical, geological, economic and financial problems to which they gave rise had previously been studied thoroughly. The experience of the Expanded Programme of Technical Assistance had shown the necessity of thorough preparation and study of projects which were to be financed later. Although the Expanded Programme had at its disposal contributions totalling \$19,885,160 in the first financial year, the total project expenditure had amounted to only \$4,515,145 entirely owing to the lack of well-founded programmes.

19. Governments should begin preparing for such projects in good time so that, upon establishment of

<sup>4</sup> See Document E/CN.12/292.

<sup>5</sup> *Methods of Financing Economic Development in Under-developed Countries*. United Nations Publication, Sales No.: 1949.II.B.4.

<sup>6</sup> Geneva, June 1954. Sales No.: GATT/1954-3.

<sup>7</sup> *Report on a Special United Nations Fund for Economic Development*, United Nations Publication, Sales No.: 1953.II.B.1. Secretary-General's letter (A/2646 and Add. 1 to 3)

the special fund, they could implement them immediately. The Technical Assistance Administration (TAA) should be at the disposal of governments and provide technical assistance in connexion with the preparation of such projects.

20. With the problem of co-ordinating SUNFED with existing international organizations, he considered that the document (E/2618) should be circulated to the organizations concerned for their comments.

21. Mrs. LINDSTROM (Sweden), reviewing the relations between the industrialized and the under-developed countries, said there had been some discouraging developments. Mr. Scheyven's report on the attitude of governments to the proposed Special United Nations Fund for Economic Development had not been altogether encouraging. A survey of the international flow of private capital had shown that unstable economic conditions were causing a decrease in the amount of private capital available for investment in under-developed countries. In addition, new difficulties had arisen regarding the long-term planning of technical assistance activities. The United States contribution had been limited to six months in advance, and it had been reported that future financial assistance would be made dependent upon conditions which seemed to overlook the fact that the United Nations could not turn down technical assistance contributions and services because they were offered by United Nations Members which were not politically welcome from the United States' point of view.

22. However, there had been gratifying progress with practical technical assistance, although it was not yet sufficient to meet the needs of the under-developed countries. The great problem was therefore to reconcile the tendency towards the shrinkage or stagnation of the supply of capital for technical assistance with increasing demand for technical assistance.

23. Sweden considered the problem complicated but not insoluble. The United Nations programme of technical assistance was of great moral importance for world solidarity. Together with other related programmes for economic development, it provided the most promising path towards a lasting peace. There was no question of lack of generosity; but it had to be recognized that even the more highly developed countries might have serious financial problems of their own, and that in any democracy, it was the citizens themselves who finally decided what additional economic burden they wanted to accept. Popular support was growing in Sweden for more action to be taken to help under-developed countries, but it would be unwise to overtax that support and thereby run the risk of setbacks. In the long run it would certainly be better to deal with the problem gradually but persistently.

24. There was disagreement as to methods of giving assistance. For the under-developed countries it was essential that every dollar should be made to go as far as possible, and that the amount spent on administration and overhead should be as small as possible. The more efficient the administration, the easier it would be to persuade the more highly developed countries to increase their contributions.

25. In Mr. Scheyven's report Sweden had been listed among the states which were definitely opposed to an international fund for assistance in the form of gifts and low-interest long-term loans. However, Sweden had adopted a reserved attitude towards the proposal because of its positive interest in the efforts of the

United Nations to bring the more highly developed countries and the under-developed ones closer together. The people of Sweden feared that the creation of a new international organ would result in higher overheads and duplication of effort. The financial foundations of the United Nations technical assistance work were still so weak, that the first concern should be to consolidate and expand that work. However, Sweden had not tried to tie the plans for the special fund to any condition regarding disarmament and had not given reason to suppose that it was not prepared to contribute to the fund, provided that the most important industrial countries, such as the United States of America and the United Kingdom, were prepared to do the same on a scale in keeping with their resources. That condition had not been fulfilled, and it would only lead to disappointment if the special fund were to be set up with insufficient resources. An attempt should be made to find out whether the under-developed countries could not be provided with the financial assistance they needed in another way, for example by gradually expanding the existing programmes.

26. That presupposed that greater attention would be devoted to the efficiency of the administrative machinery for technical assistance. That machinery had been criticized, not altogether without justification, at earlier sessions of the General Assembly. The present system of distributing funds automatically amongst the specialized agencies on a fixed percentage basis while these agencies operated more or less independently had prevented complete co-ordination of the technical assistance programmes in the receiving countries. The available funds should be distributed primarily according to the urgency and practicability of each project, and not according to the specious argument that it was only fair that all countries requesting assistance should receive at least some share. Moreover, money was at present being wasted because it was being distributed in too small amounts, and specialized agencies were failing to co-operate with one another. There should be better local co-ordination through local resident representatives; contributions should be granted to specific projects rather than to a specialized agency or to a particular country; there should be better co-ordination at the centre combined with greater decentralization and simplification of procedure.

27. There was little point in long conferences resulting merely in non-binding declarations of good will towards the proposed fund, while promising, though limited, technical assistance activities were allowed to founder because of lack of financial support or failure to cut down on extravagance. Sweden believed that what was most necessary was increased support for the existing programmes of technical assistance. Accordingly Sweden, which had raised its contribution for technical assistance by 25 per cent the previous year, proposed to increase its contribution by a further 25 per cent.

28. Since in Sweden, as in other countries, it was difficult to levy taxes for continuously increasing international assistance, the Swedish Government had, in addition to its contribution to the United Nations technical assistance work, started bilateral programmes for technical assistance to a few countries in which it seemed possible to stimulate the interest of the Swedish people. It was intended to raise the necessary funds for those bilateral programmes by means of voluntary contributions. The provision of technical assistance by the United Nations had definite advantages for the receiv-

ing countries, because it had no political taint and did not make the receiving country financially dependent upon any particular country. With bilateral assistance, it was more difficult to set up barriers against political objectives, but Sweden had no such objectives in providing technical assistance and bilateral assistance had advantages for the contributing country since it was easier to arouse people's interests in contributions for concrete projects than in appropriations which would disappear into the general United Nations fund.

29. Sweden was not, however, giving preference to bilateral assistance. It believed that technical assistance through the United Nations was the most powerful instrument the Organization possessed for spreading its influence in the world. That being so, the United Nations technical assistance system must be made to function well. The only way of achieving that end was to increase financial contributions for the United Nations technical assistance work and to criticize constructively the administrative shortcomings of the system.

30. A list of priorities was needed. First, the programme of technical assistance must be established on a firm financial basis. Secondly, its administrative efficiency must be enhanced. Thirdly, it must be made an expanding, rather than an expanded programme of technical assistance. Fourthly, a study should be made of means to supplement the technical assistance programme with arrangements for meeting certain particularly vital investment needs for non-self-liquidating projects.

31. Certain items in that list should not be deferred until the distant future. All four items were important. Before the end of the session, the Committee must take action against the grave danger threatening United Nations technical assistance work. There would only be disappointment if the Committee's work resulted merely in another beautiful dream. The very least that must be done during the session was to create some realistic justification for new hope.

32. Mr. CHAUVET (Haiti) said that ever since 1951, the most important question on the Committee's agenda had been the establishment of the proposed Special United Nations Fund for Economic Development and the proposed international finance corporation. The public might think that the Committee was working slowly, but the Committee itself must realize that it had made no progress on the problem for a long time. He greatly feared that no progress would be made at the present session. The situation was all the more regrettable because only the establishment of the special fund and the corporation could save the Expanded Programme of Technical Assistance which had for some time been on the brink of collapse owing to the position taken by certain legislatures in regard to the appropriation of funds for the Programme.

33. Without the special fund and the corporation the Expanded Programme would wither away because there would be no means of carrying out proposals and recommendations so carefully drawn up by the United Nations experts. If it had not been for technical assistance there would not have been mass support for the United Nations throughout the world. Other United Nations activities were known only to the 61 per cent of the world population who could read. But everybody could appreciate the practical technical assistance given by United Nations experts for improving industry, health, agriculture, education and social welfare. Any

decrease in technical assistance would strengthen the hands of the United Nations' enemies.

34. The Committee was not to blame for the danger that the special fund and international finance corporation might never be set up. It had done everything in its power during the last four years to bring them into existence, but had made no progress towards obtaining the necessary funds for carrying out projects which the United Nations experts had said were needed in the under-developed countries.

35. Thousands of millions of dollars had been spent on things other than setting up the special fund and the international finance corporation. But the Committee should not resign itself to failure. It should insist on the need to set up the special fund and the corporation, because the future of the under-developed countries and consequently of the whole of the free world was at stake.

36. It was to the advantage of both the highly developed countries and the under-developed countries that the latter should be provided with financial assistance for their development. People preferred to pay taxes for economic purposes rather than for armaments, and for saving human life rather than for destruction. In the long run money spent on economic development would help to provide national and international security.

37. The people of the United States of America, which was the most powerful and generous of democracies, surely understood that the creation of the special fund and the corporation would help to solve their problem of surpluses as well as bring prosperity to their friends.

38. At the recent World Population Conference in Rome, it had been stated that in the next thirty years, the population of the world would increase by 60 per cent to four thousand million. The biggest increase would take place in the under-developed regions where infant mortality was decreasing, largely owing to the efforts of the World Health Organization and the United Nations Children's Fund. Steps had to be taken to solve the problem of feeding those four thousand million people. The best way of doing so was to develop the under-developed countries of the world. The United States Secretary of State had urged the use of atomic energy for peaceful purposes. It could be used for the development of the under-developed countries. But they could not be developed unless the special fund and the international finance corporation were established. The only reason why those two organs had not yet been set up was the indecision shown by two or three great Powers.

39. The main arguments delaying the setting up of the special fund and the corporation was that the matter should be deferred until there was general internationally controlled disarmament. The nations were arming in order to avoid war. However, one of the main causes of war was unemployment, which created social disequilibrium and bellicose impulses. The remedy was to make economic arrangements to satisfy the needs not only of the present population of the world but of the expected population of four thousand million in 1984. Standards of living should be constantly increased by developing the under-developed countries. It was the great Powers who alone could finance that development—by means of the special fund.

40. Private capital would never be available in sufficient amounts at low rates of interest for the economic development of the under-developed countries. Conse-



quently, inter-governmental action to finance that development was essential. The interest paid by private firms was high and private investors would not invest their money in economic development abroad unless they were promised a higher rate of interest.

41. Only a few days previously, the President of the International Bank for Reconstruction and Development had stated that the Bank believed that an international company affiliated with the Bank could help with the development of under-developed regions and encourage private business and private investment in those regions, and that he would be happy to study ways of establishing such a company as soon as it became clearer that there was a possibility of obtaining the necessary capital. But there was no reason to wait. The people of the world would not remain patient forever.

42. The political situation in any country usually depended on the standard of living. The progress of Europe had been due to its industry. The greatest incentive for that industry had been the economic development of the undeveloped region of North America. That process should be extended to the countries which were still undeveloped and which could provide the world with an incalculable source of new wealth. Those countries could only be developed if the Special Fund for Economic Development and the international financial corporation were established.

43. Mr. LIRA MERINO (Chile) drew attention to the section entitled "Tasks in the field of economic policy" in the introduction to the Annual Report of the Secretary-General (A/2663) which emphasized the dangers inherent in current economic and social trends. The report pointed out that no remedy could be successful without a combination of measures of an order of magnitude far beyond that of anything that had so far been undertaken, and that the United Nations could not consider itself disinterested in the successes and failures of the domestic economic policies of its Member States. On many occasions the Chilean delegation had maintained, as the report also emphasized, that one question of special concern in that context was the relationship of prices of raw materials to those of manufactured commodities and that fluctuations in that price relationship were responsible for some of the difficulties experienced by various Member States.

44. The economic problems outlined by the Secretary-General had become more acute because of the instability both of the prices of raw materials and of markets. Urgent remedies were required; delay might endanger social, political and economic progress. The economic situation in the under-developed countries, far from having improved, had steadily deteriorated, partly because of inflation and partly because of restrictions on economic development. The problem had been aggravated recently by the anarchy prevalent in international trade and by the lack of any stabilization plan.

45. The Latin American countries depended mainly on their raw materials and agricultural production to finance their economic development: coffee, oil, copper, tin, wool, sugar, cocoa, bananas, hides and nitrates continued to constitute more than 75 per cent of their exports. In the course of eighty years the prices of those products had increased less rapidly than those of the manufactured goods which they had to import. In 1953, they had been able to purchase only 60 per cent of what they had been able to buy in 1870. In addition, the short-term fluctuations in the prices of those products

had been violent. Whereas the prices of manufactured goods in the United States varied from year to year by approximately four per cent, the prices of raw materials and other primary commodities varied by from 27 to 32 per cent. The instability of prices was aggravated by the instability of markets, as a decrease in demand coincided with a decrease in prices, with the result that the actual fluctuations in the income of the Latin American countries exceeded 40 per cent. The effect of such developments on countries specializing in the exportation of only one or two products was drastic; such fluctuations disrupted the domestic consumer market and seriously impeded the planning and implementation of economic development programmes.

46. The extent to which those repercussions were felt in Latin America might be appreciated if it was realized that, between 1945 and 1952, 95 per cent of the investment for development in Latin America had been financed from the sale of exports. That was borne out in the report entitled *Commodity Trade and Economic Development* (E/2519)<sup>8</sup> which stated that, although loans by the highly developed countries might in the past have been the main source for financing the development of the under-developed countries, that had certainly not been the case in the post-war period; it had been necessary to finance economic development from the proceeds of exports.

47. Most Latin American countries were experiencing a serious crisis in their foreign trade. According to the last report of the Economic Commission for Latin America, (E/2536)<sup>9</sup> the gross income of Latin America had increased between 1945 and 1952 as a result of improved price relations in its foreign trade, but that phase had apparently ended as gross investment had dropped below the pre-war level. The report further stated that any increase in the rate of development in Latin America would require investment on a scale which exceeded domestic resources. According to the report continued that the payments position of Latin America had deteriorated to such an extent that it constituted a serious obstacle to economic development. In Chile, for example, the 1953 crisis in the copper market had resulted in a loss equivalent to more than twice the international loans which that country had obtained in the post-war period and had forced the Government to take strict measures.

48. Despite the economic plight of Latin America, aggravated by recent violent fluctuations, the necessary remedy in the form of foreign public and private investment had not been forthcoming on the same scale as in Western Europe. In Latin America, the volume of exports in 1952 had amounted to \$5,882 million, whereas the foreign capital imported had totalled only \$364 million. In addition, between 1945 and 1952, foreign enterprises had withdrawn from Latin America profits and earnings amounting to \$5,763 million as compared with public and private investments, amounting to only \$3,092 million. He then quoted from a statement by the Chilean Minister of Finance at the Caracas Conference outlining the extent to which Chilean minerals had contributed to the profits and earnings of foreign investors. The Minister had also remarked that, while Chile was expected to be subject to the laws of supply and demand, freedom of trade actually did not exist in most cases; there were no laws of supply and demand that

<sup>8</sup> United Nations Publication, Sales No.: 1954.II.B.1.

<sup>9</sup> *Official Records, Economic and Social Council, Seventeenth Session, Supplement No. 2.*

could operate freely if, as a result of conflicts or of events preceding or following conflicts, top prices could be "frozen" or fixed, or if a system of rationing was introduced as a result of shortages or stockpiling. At the moment Chilean production was classified into two groups: non-strategic and strategic goods. The latter could not be sold freely on the world market for fear of economic and financial sanctions. The Minister considered that the restrictions on Latin American goods were all the more illogical as various European countries were trading with countries behind the Iron Curtain.

49. All those factors had convinced the Latin American countries that there must be a complete change in the economic policy of the more developed countries towards the under-developed countries. On the initiative of the Chilean delegation, the Latin American countries at the Caracas Conference had agreed to convene a meeting of ministers of finance or economy at Rio de Janeiro in November 1954 to discuss international trade and economic development. Latin America did not want donations but wanted agreements under which development plans could be carried out on a scale pro-

portionate to its contribution to the world economy. It wanted fair and reasonable prices for its raw materials and a fair relationship between the prices of the raw materials it exported and the prices of the manufactured goods which it had to purchase abroad.

50. Latin America had obtained valuable foreign assistance, for which it had already expressed its gratitude, although such assistance had never been commensurate with the amounts which it had had to pay in interest and amortization.

51. At Rio de Janeiro, Chile would submit a comprehensive plan to set up a body which would direct the utilization of gold and foreign-currency resources held abroad by the Latin American countries. That plan, he was convinced, would win the support of the Latin American republics and the co-operation of international financing agencies. The plan would make it possible to achieve one of the purposes of the Charter, namely to raise the standard of living and promote the economic progress of the under-developed countries.

The meeting rose at 12.50 p.m.