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MEETING**

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AGENDA ITEMS 12, 29 AND 74

Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (A/4415) (continued)

Economic development of under-developed countries (continued):

(a) *International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);*

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(c) *Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council (A/4489 and Add.1, E/3379, E/3379/Add.1-7);*

(d) *Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)*

Land reform (A/4439) (continued)

ORGANIZATION OF THE COMMITTEE'S WORK

1. The CHAIRMAN reminded the Committee that at its 645th meeting it had decided, by approving the organization of its work (A/C.2/L.457), that any delegations wishing to do so could comment in the course of the debate on items 12, 29 and 74 on the section of the report of the Economic and Social Council (E/4415) entitled "Programme appraisals in the economic, social and human rights fields" and the sub-section named "Consultation with the specialized agencies" (para. 645), it being understood that after the end of the debate he would transmit to the Chairmen of the Fifth and Sixth Committees, through the President of the General Assembly, the observations made on those two questions by the members of the Second Committee.

2. The general debate having concluded, he proposed, if there were no objections from the Committee, to send two letters to the President of the General Assembly, the one requesting him to inform the Chairman of the Sixth Committee that on the question of consultations with the specialized agencies no observations had been made in the Second Committee, and the other asking him to forward to the Chairman of the Fifth Committee an outline of the opinions expressed in the Second Committee on programme appraisals in the economic, social and human rights fields. What would be forwarded to the Fifth Committee, to which the examination of programme appraisals had been allocated in the first place, would be excerpts from the statements made on the latter question by the representatives of Ghana, Ireland, the Netherlands, New Zealand, Romania, Sweden and the United States of America. The delegations concerned could check with the Secretariat the excerpts from their statements which would be communicated to the Fifth Committee.

3. Furthermore, he was drawing the attention of the Committee to operative paragraph 1 of draft resolution A/C.2/L.470/Rev.1, which related to programme appraisals, and to the second preambular paragraph of the same draft, where reference was made to "co-ordination in the field".

4. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) said he saw no objection to the Chairman's sending the letter dealing with consultations with the specialized agencies to the President of the General Assembly immediately. On the other hand, he thought that it would be preferable to defer the dispatch of the letter dealing with programme appraisals, since other delegations might perhaps wish to make observations on that subject when the Committee took up the technical assistance programmes. Moreover, the Chairman had referred to a draft resolution which had not yet been studied by the Committee; it would

be best to wait until the Committee had expressed its views on that text.

5. The CHAIRMAN pointed out that that would considerably delay the Fifth Committee's work, that the members of the Second Committee had been invited to present their observations on chapter VII of the Economic and Social Council's report during the debate on items 12, 29 and 74 of the agenda, and lastly, that draft resolution A/C.2/L.470/Rev.1 was not expressly concerned with programme appraisals. He could reword the text of his letter on that question slightly, pointing out that any subsequent observations would be passed on to the Fifth Committee as and when they were made.

6. Mr. KAUFMANN (Netherlands) supported the Chairman's proposal.

7. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) pointed out that if the Chairman sent his letter immediately, so that the Fifth Committee could consider the matter within the next few days, subsequent observations by members of the Second Committee would not be taken into account.

8. Mr. RAJAPATIRANA (Ceylon), supported by Mr. HASSAN (Sudan), proposed that the Chairman should postpone sending his second letter and that he should get in touch with the Chairman of the Fifth Committee in order to ascertain what stage that Committee had reached in its work on programme appraisals.

It was so decided.

CONSIDERATION OF DRAFT RESOLUTIONS (A/C.2/L.465/REV.1) (continued)

9. Mr. SMID (Czechoslovakia) thanked the Committee for the attention it had given to the Czechoslovak draft resolution (A/C.2/L.465). Representatives had realized that the purpose of the draft resolution was to see that the utmost was done to help the economic development of the under-developed countries. His delegation had studied carefully all the formal and oral amendments made, and had prepared a revised version of its draft resolution (A/C.2/L.465/Rev.1) incorporating all the constructive ideas put forward by various representatives.

10. The title of the draft resolution had been reworded to take into account the Canadian amendment (A/C.2/L.498) and the changes made in the fourth preambular paragraph by the amendment submitted by Afghanistan and the United Arab Republic (A/C.2/L.487/Rev.1). As a result of the latter, the phrase "international division of labour" had been replaced by another formula which, however, conveyed the same meaning. Although it was a matter for regret that the original wording had not been fully understood, since it had been more precise, the Czechoslovak delegation, in order to avoid all controversy, would not press the point, and had amended the title of its draft resolution accordingly. In addition, it had used the expression "an increasing share in world trade" to indicate that some under-developed countries were already taking part in international trade and that their problem was to step up the export both of their traditional products and of new ones. On the other hand, it had not seemed desirable to accept the suggestions of the representatives of the United States, New Zealand and Greece that a reference to grants should be made in the title of the draft resolution.

Although the Czechoslovak delegation was not opposed to the idea of assistance in the form of grants, what the under-developed countries wanted was assistance expressed through co-operation and not through something akin to charity. In that connexion, he agreed with the representatives of Yugoslavia and the Sudan that stress should be laid on the importance of long-term loans granted on advantageous terms. Indeed, the main emphasis of the draft resolution was focused on that very point. The draft resolution expressly referred to long-term credits on favourable terms, for such credits represented the type of co-operation calculated to yield the best results. Accordingly, it would be a matter for satisfaction to the Czechoslovak delegation if the representatives of the United States, New Zealand and Greece did not press their suggestions. The Greek representative's proposal to insert the words "on concessional terms" in the title of the draft resolution did not appear essential; a reference to low-interest loans, which were mentioned in operative paragraph 1, was preferable.

11. In the first preambular paragraph, the Czechoslovak delegation had accepted the Greek representative's suggestion and the amendment submitted by Afghanistan and the United Arab Republic (A/C.2/L.487/Rev.1) to replace the word "industrialization" by the words "economic development". It had agreed to the entire Canadian amendment (A/C.2/L.498) to the second preambular paragraph, but had been unable to accept the Turkish representative's suggestion to replace the words "industrial bases" by the words "economic bases", since stress had to be laid on the need for industrialization. It had also acceded to the suggestions made by the representatives of Canada and the United Kingdom to amend the wording of the second preambular paragraph. The oral United Kingdom amendment and the formal amendment by Afghanistan and the United Arab Republic (A/C.2/L.487/Rev.1) concerning the third preambular paragraph had been incorporated in the new text, together with the amendments and suggestions made by Afghanistan and the United Arab Republic and by Australia on the subject of the fourth preambular paragraph.

12. On the other hand, it had not been possible to accept the United States amendment (A/C.2/L.486), which proposed adding a fifth preambular paragraph mentioning the International Development Association. That Association had been set up at a time when the under-developed countries had already requested the establishment of SUNFED, a body in which all Member States were to participate, including the socialist countries. In those circumstances, to set up IDA had meant indirectly opposing the establishment of SUNFED, as had indeed been confirmed by the position which certain industrial countries had taken in the United Nations. Moreover, the funds envisaged for the Association, \$1,000 million, were quite inadequate for the task to be accomplished. Steps had been taken to link IDA closely with IBRD. But many under-developed countries had criticized the activity of the Bank, in which each country had a number of votes corresponding to its financial contribution. That arrangement prevented the Bank from taking a sufficiently objective attitude, and it was to be feared that IDA, in which the United States played a dominant role, would suffer from the same defect. Accordingly, it would not seem desirable to mention the establish-

ment of the Association in the draft resolution. Besides, any reference of that kind would be premature, since there was not yet sufficient information available on that body's activity. Moreover, it would be out of place in the draft resolution, which dealt with types of loans, the use of credits and increasing the share of the under-developed countries in world trade, not with international or national financing institutions. If IDA had to be mentioned, it would be preferable to do so in connexion with item 29 (b) of the agenda, which related to the establishment of a United Nations capital development fund. At the fourteenth session of the General Assembly, the International Development Association had been dealt with in a separate resolution (resolution 1420 (XIV)), in which the Assembly had taken note of the decision of principle to establish the Association and had expressed the hope that adequate provisions would be made for a close working relationship between the Association and the United Nations. Since the Second Committee would have to consider the provisions in question when they had been worked out, there was no need to mention IDA in the draft resolution. He hoped that the United States representative would not press his amendment.

13. In operative paragraph 1 (a), his delegation had accepted, with a few minor changes, the suggestion made by the representatives of Afghanistan and the United Arab Republic. In paragraph 1 (b), it had been ready to accept the amendment sponsored by the same representatives to replace the word "productive" by the words "economic and social", but, feeling that the oral amendment suggested by the representative of Greece was more precise, it had adopted that wording. In addition, it had incorporated bodily, in operative paragraph 2, the amendment proposed by Afghanistan and the United Arab Republic, and also the suggestion made by France. In operative paragraph 3, account had been taken of the amendments of Yugoslavia and the Sudan, calling for mention to be made of the Economic and Social Council and the Committee for Industrial Development, but it did not seem possible to insert the words "to continue" between "regional economic commissions" and "to study", since the Committee for Industrial Development had not yet begun its work.

14. He hoped that his delegation's draft resolution, thus amended, would be adopted by the Committee.

15. Mr. FINGER (United States of America) said that his delegation did not entirely approve of the new title of the draft resolution, but that it would comment on that point later. Also, it wished to maintain its amendment (A/C.2/L.486) calling for the addition of a fifth preambular paragraph. It would hardly be desirable to consider drafting another resolution concerned solely with the question of the International Development Association, as the Committee already had its full share of resolutions to consider. As to the arguments advanced by the Czechoslovak representative against the United States amendment, they were not convincing. All under-developed countries could participate in the Association. If the planned-economy countries did not take part in it, that would not appreciably affect the total funds available, seeing that those countries' contribution to the various United Nations technical assistance programmes at present in operation represented only 4 per cent of the total funds contributed. Secondly, while IDA's

total budget of \$1,000 million would certainly not be sufficient by itself to ensure the economic development of all the under-developed countries, that sum was nevertheless appreciable; and in any case, even if SUNFED was set up, it was apparently to have only \$100 million available.

16. He suggested that the words "by adopting" in the second preambular paragraph of the draft resolution should be deleted; those words gave the impression that no measures had yet been taken to speed up the establishment of industrial bases in the less developed countries. It would be preferable to say "by pursuing".

17. His delegation would await the outcome of its suggestion to delete the third preambular paragraph before taking a formal stand on the question.

18. Mr. OMAR (Afghanistan), speaking on behalf of his delegation and that of the United Arab Republic, thanked the Czechoslovak representative for the accommodating spirit he had shown in accepting the amendments (A/C.2/L.487/Rev.1). Canada's sub-amendment (A/C.2/L.499) had also been partially incorporated in the revised text of the draft resolution, making operative paragraph 1 (a) more clear. The amendments of Afghanistan and the United Arab Republic could therefore be regarded as withdrawn.

19. Mr. FINGER (United States of America) supported the sub-amendment submitted by the representative of New Zealand (A/C.2/L.500). He had already withdrawn (680th meeting) his sub-amendment to the amendment submitted by Afghanistan and the United Arab Republic.

20. Mr. IRWIN (Canada) thanked the Czechoslovak representative for having incorporated in the new text of his draft resolution the first two of the Canadian amendments (A/C.2/L.498). The third Canadian amendment had not been accepted, but the Canadian delegation withdrew it, since it no longer applied to the new text of operative paragraph 3.

21. With regard to the Canadian amendment to document A/C.2/L.487/Rev.1 (A/C.2/L.499), he could not share the Czechoslovak delegation's views on the subject of grants. Canada furnished much of the assistance it accorded to under-developed countries in the form of grants, and the receiving countries had never shown hostility to that form of aid. It was wrong to equate grants with charity, for the receiving countries in fact allocated larger sums than the grants themselves to the project for which the grants were extended to them. Moreover, such grants had the advantage of not affecting the balance of payments of under-developed countries. However, in order to facilitate the Committee's work, his delegation withdrew that amendment and supported the similar amendment of New Zealand (A/C.2/L.500).

22. Mr. GREEN (New Zealand) said that while he respected the Czechoslovak representative's opinion that grants were not the best form of assistance to under-developed countries because they were "akin to charity", he did not feel that that delegation's position presented a fully-balanced view. As New Zealand's development had been very largely promoted by foreign capital, his delegation would be the last to underestimate the importance of loans; but it believed that the stress on loans could be overdone, especially if countries which depended essentially on their ex-

ports of primary products had to devote too much of their limited supplies of foreign exchange to debt servicing. During the great crisis of the thirties, New Zealand, for example, had been obliged to devote a quarter of its budget to the payment of interest on loans, and it had had to resort to further borrowing at higher interest rate to redeem loans falling due. Even today, despite its great intervening growth, his country had to exercise considerable caution on balance-of-payments grounds about overseas borrowing.

23. It was clear that loan redemption and interest payments could impose great burdens on the under-developed countries, which needed to devote as much as possible of their foreign exchange resources to diversifying their economies and to industrialization. That was why the importance of grants had been consistently recognized by the advocates of SUNFED. Where grants were made for productive purposes, and especially where the receiving countries were not obliged to buy their goods in any particular market, grants were frequently described as the best form of aid. He had never heard it said by countries receiving grants from the Expanded Programme or UNICEF that they regarded them as charity, nor should grants from bilateral sources be so regarded. Some countries gave all or most of their assistance in the form of grants, and grants did in fact make up a large proportion of the international assistance to under-developed countries.

24. Consequently, he wished his amendment—which he now submitted as an amendment to operative paragraph 1 (a) of the draft resolution—to stand. Accordingly, he proposed the insertion, at the beginning of that paragraph, between the word "basis" and the words "of long-term loans and credits", the words "the extension, as appropriate, of grants". If that amendment was adopted, the title of the draft resolution would also have to mention grants.

25. Mr. DUDLEY (United Kingdom) thanked the representative of Czechoslovakia for adopting his suggestion and replacing the words "will make possible" by the word "means" in the third preambular paragraph of the draft resolution. He regretted, however, that the second preambular paragraph had not been amended along the lines which he had indicated (680th meeting). Moreover, he thought that it should be made clear that the influx of foreign capital referred to at the end of operative paragraph 1 (a) included public and private foreign capital. He maintained his formal amendment to operative paragraph 1 with an additional phrase at the end (A/C.2/L.501/Rev.1) but was ready on reflexion to delete the words "or to particular projects" in that amendment, as, among other reasons, much excellent work, particularly by IBRD, was undertaken with assistance assigned to particular projects.

26. Mr. CARANICAS (Greece) agreed with the United States representative that it was better to wait until the end of the debate before changing the title of the draft resolution, since if it was agreed to mention grants, as proposed by the representative of New Zealand, those grants should be mentioned in the title as well. He did not entirely share the views of the United States representative on the amendment in document A/C.2/L.486. Since IDA was an international body to which not all Members of the United Nations belonged, it would perhaps be preferable for the United States proposal to be incorporated in another

draft resolution referring more specifically to the question of financing aid to under-developed countries.

27. He proposed that the beginning of operative paragraph 1 (b) should be amended to read: "to co-operate in the financing of industrial, agricultural, social and other projects". In view of the work already accomplished by the regional economic commissions, it was unfortunate that the Canadian delegation had withdrawn its amendment to operative paragraph 3. Perhaps the reference to the Committee for Industrial Development, which was a subsidiary body of the Economic and Social Council, could be deleted, thus making it possible to insert the words "to continue". The paragraph would then read: "Calls upon the Economic and Social Council and its regional economic commissions to continue to study this important question". Those amendments had been circulated as document A/C.2/L.505.

28. Mr. BERNARDO (Argentina) congratulated the representative of Czechoslovakia and the delegations which had submitted amendments. His delegation would support the revised draft resolution, although it would have had no difficulty in accepting the original text, since it did not share the misgivings of some delegations concerning the international division of labour. He regretted that the Canadian delegation had withdrawn its amendment proposing the insertion of the words "to continue" in operative paragraph 3, since it was a fact that ECLA had already begun to study the questions referred to in the draft resolution and the question of the international division of labour. He hoped therefore that consideration would be given to the Greek representative's proposal for the re-introduction of that amendment, although it was a pity that that proposal would eliminate any mention of the Committee for Industrial Development.

29. With regard to the United States amendment (A/C.2/L.486), he pointed out that it raised a controversial question and he wondered whether it was wise to mention IDA without referring to other financing institutions such as the Inter-American Development Bank. By way of a compromise he proposed an amendment (A/C.2/L.504) that the wording of the United States amendment should be changed to read: "Taking into account the establishment of new international sources of credits". The paragraph would then have a wider meaning and could refer not only to IDA but to the Inter-American Development Bank, the United Nations capital development fund and SUNFED. His delegation would support the United Kingdom amendment (A/C.2/L.501/Rev.1) but would rather the words "or to particular projects" were not deleted. With regard to the amendment submitted by the delegation of New Zealand (A/C.2/L.500), his delegation preferred loans to grants but would not object to the mention of grants in the draft resolution. His delegation would, however, abstain if that amendment was put to the vote.

30. Mr. B. K. NEHRU (India) formally proposed that the words "or to particular projects" should be maintained in the United Kingdom amendment (A/C.2/L.501/Rev.1).^{1/} International aid was often supplied to finance certain particular projects. The Bank had been the first to use that method, which was now

^{1/} The Indian amendment was circulated as document A/C.2/L.506.

becoming general. The result was that receiving countries obtained the necessary aid for the financing of large projects but lacked the funds required for the extension of less ambitious projects which could sometimes play a more important part in the development of their production. For example, India would have less difficulty in obtaining aid for the establishment of a large steel mill than for the extension of small industrial enterprises to absorb the products of that mill. The extension of such enterprises, which required only a certain number of machines, did not properly speaking constitute a project but was nevertheless essential if all possible profit was to be derived from the establishment of the steel mill.

31. With regard to the New Zealand amendment (A/C.2/L.500), his delegation thought that the question of loans and grants was a political matter. From the purely economic standpoint grants were preferable because they removed all problems of reimbursement of credits and of balance of payments, but some Governments regarded them as a form of charity and were reluctant to make use of them. There could, however, be no harm in mentioning grants in the draft resolution, since every country was free not to accept them.

32. His delegation supported the establishment of the International Development Association. It was an institution which might prove very useful and it was to be hoped that it would become increasingly important and would have more funds at its disposal. It

did not seem appropriate, however, to mention it in the draft resolution and his delegation would support the text proposed by Argentina.

33. Mr. GURUN (Turkey) pointed out that the suggestion his delegation had made with regard to the second preambular paragraph had not been taken into account by the delegation of Czechoslovakia. In the case of less developed countries it was better to speak of economic bases than of industrial bases. If industrialization was to be spoken of, there was no need to use the term "bases" at all. His delegation had therefore submitted a formal amendment to that paragraph (A/C.2/L.503). The text it was proposing did not change the fundamental idea of the paragraph in any way, but it introduced a reference to private capital, since his delegation did not think that it was sufficient to mention public capital.

34. Mr. FRANZI (Italy) pointed out that the Committee for Industrial Development had been established to study the industrialization of under-developed countries and it would be unfortunate to omit any mention of it in operative paragraph 3. In order to reconcile the different points of view, he proposed that the paragraph should be amended to read: "Calls upon the Economic and Social Council and its regional economic commissions to continue to study this important question and requests the Committee for Industrial Development to make suggestions in this connexion".

The meeting rose at 1.5 p.m.