

GENERAL ASSEMBLY

TWELFTH SESSION

Official Records


 Thursday, 28 November 1957,
at 3.15 p.m.

NEW YORK

CONTENTS

	<u>Page</u>
Agenda item 29:	
Programmes of technical assistance:	
(a) Report of the Economic and Social Council (<u>concluded</u>)	
Adoption of the Rapporteur's report	239
Agenda item 28:	
Economic development of under-developed countries:	
Question of the establishment of a Special United Nations Fund for Economic Development: final and supplementary reports of the <u>Ad Hoc</u> Committee and recommendations of the Economic and Social Council (<u>continued</u>) . .	
Statement by the Chairman	242

Chairman: Mr. Jiří NOSEK (Czechoslovakia).

AGENDA ITEM 29

Programmes of technical assistance:

(a) Report of the Economic and Social Council (A/3613, A/3661, A/C.2/L.356) (concluded)

ADOPTION OF THE RAPPORTEUR'S REPORT (A/C.2/L.356)

1. Mr. HADWEN (Canada), Rapporteur, introduced the Committee's draft report (A/C.2/L.356) on item 29 (a) of the agenda.

The draft report was adopted without comment.

AGENDA ITEM 28

Economic development of under-developed countries: Question of the establishment of a Special United Nations Fund for Economic Development: final and supplementary reports of the Ad Hoc Committee and recommendations of the Economic and Social Council (A/3579 and Corr.1 and Add.1, A/3580, A/3613, A/3661, A/C.2/L.331, A/C.2/L.354) (continued)

2. Mr. ZAND (Iran) said that his Government, recognizing that the under-developed countries should rely chiefly on their own resources to finance their economic programmes, had placed its revenue from oil exclusively at the disposal of the organization responsible for the formulation and execution of economic development projects. Legislation had also been enacted to encourage foreign capital investment in Iran and to provide for the utilization of new oil resources. Despite those efforts, Iran like most of the under-developed countries, had found, however, that its domestic resources were far from adequate to finance its programmes, and that the bilateral and multilateral assistance being received could not bridge the gap. Alarmed by that situation, his country and other countries in the same position had pressed for the

establishment of a Special United Nations Fund for Economic Development (SUNFED) in the belief that such an agency was needed to supply the development capital that could not be furnished by the International Monetary Fund, the International Finance Corporation or the International Bank for Reconstruction and Development. The project had been exhaustively studied and had received the backing of the Economic and Social Council at its last session, but the fact remained that SUNFED could not be established without the co-operation of the advanced countries.

3. For those reasons, his delegation, while agreeing that the United States proposal for the enlargement of the Expanded Programme fell short of what was needed, was prepared to consider it as a modus vivendi until such time as SUNFED could be created along the lines originally recommended. In that connexion, it was important to move that the United States objection to the establishment of SUNFED was one of timing and not of substance so that a change of circumstances might make United States support possible.

4. In any case, the United States proposal (A/C.2/L.354) and the draft resolution for the establishment of SUNFED (A/C.2/L.331) were complementary rather than contradictory. Moreover, an expansion of technical assistance would be welcome in itself. In Iran, for example, it might help to reduce the pressure on the economy resulting from the shortage of skilled and semi-skilled labour.

5. Although his delegation continued to favour the early establishment of SUNFED, it would support any programmes which might be useful to the under-developed countries. He would comment in more detail on the draft resolutions before the Committee at a later stage.

6. Mr. WOULBROUN (Belgium) observed that although the gap between levels of living in the industrialized countries of the West and in the under-developed countries was great and increasing, it was a fact that production, individual consumption, capital formation and levels of living were rising in the under-developed countries, some of which could already be considered semi-industrialized. Technical progress in the highly industrialized countries was, however, such that the rate of improvement in their living standards was still more rapid. The problem of economic development could not in fact be isolated from the development of public health, education, culture, science, administration and social institutions and could only be solved by a continuous, systematic and organized effort on the part of the people of the under-developed countries themselves.

7. Nevertheless action to accelerate the process of economic development was necessary and possible. The improved understanding of economic phenomena and technical advances in many fields provided the

basis for more rapid progress. Moreover, the people of the under-developed countries were aware of the possibility of progress and anxious to promote it while the industrialized countries realized that it was their duty to contribute to economic development, for social, economic and political reasons.

8. Acceleration of the process of economic development called for a mobilization of material, human and financial resources at both the national and the international level. Undeniable progress had been made in mobilizing material and human resources: many under-developed countries had drawn up development plans, established systems of priorities and taken steps to improve their administrative and budgetary structure. In addition, the boom of recent years had enabled them to find markets for their primary commodity exports and they had received valuable technical assistance.

9. On the national level the mobilization of financial resources involved a limitation of consumption, which could not easily be secured in the under-developed countries, where the marginal propensity to consume was by definition high. The reported increase in savings in the under-developed countries was therefore particularly encouraging although the volume of savings was still inadequate and foreign aid was still required. However, foreign aid, whether granted by Governments or by private enterprise, by planned economy or private enterprise countries, was ultimately the result of individual sacrifice and loans or grants could be made by free economy countries only if private citizens, business leaders or parliaments were willing to do so.

10. Before the First World War, development had normally been financed by private capital, which, in spite of certain abuses, had promoted economic progress in under-developed countries and had opened hitherto economically stagnant continents to modern civilization. Even in what was today the Soviet Union, private capital in some cases provided by small countries and small savers, had been responsible for the initial development of important industries and transport undertakings, and, although private capital tended to be attracted to the extractive industries, such industries had, in many areas, formed the nucleus for intensive and diversified economic development. The United Nations recommended measures to promote the flow of private capital, which still played a key role in the development process, and in 1956 foreign investment had reached its highest post-war level. Paradoxically, Governments which had previously carried out extensive expropriation, were emphasizing their desire to receive foreign private capital in other sections of their economies and promising to protect new investment.

11. The Belgian Government attached great importance to the creation of a favourable climate for investment and its reply to the questionnaire (A/AC.83/L.1/Add.12) on SUNFED circulated in accordance with General Assembly resolution 923 (X) had expressed the view that beneficiary States should undertake to grant equitable treatment to capital invested to guarantee it against expropriation and permit the repatriation of interest. In that connexion, it was important to remember that a substantial share of the Bank's funds came from the capital market, which was extremely sensitive to the maintenance of a favourable climate.

12. Commenting briefly on the aid given by metropolitan countries to their dependent territories, he noted that the joint achievements of Belgium and the indigenous population of the Belgian Congo were well known.

13. Although the bilateral aid granted by certain industrialized countries, including the United States, the United Kingdom and France, was a contribution of great importance to the economic development of the under-developed countries, no one would deny the advantages of multilateral aid, whether granted within or outside the framework of the United Nations. It was more readily accepted by beneficiary countries and did not link their economies so closely with those of the contributing countries. Moreover, contrary to the common belief, it did not involve less effective control of the funds provided.

14. Turning to the role of the United Nations in assisting the under-developed countries, he commented that a large proportion of the activities of the Organization and its specialized agencies—to whose total budget of \$160 million the industrialized countries made a substantial contribution—was concerned with problems of economic development. The work of the International Bank for Reconstruction and Development was of particular significance. During the past financial year it had made loans totalling nearly \$400 million but that figure did not give a full picture of the Bank's role in the process of economic development. In many cases, it helped to mobilize local resources through counterpart arrangements and gave invaluable advice to Governments. Moreover, the fact that all undertakings to the Bank had been respected had created further confidence in the solvency of beneficiary States. While its rates of interest might appear high, they were no higher than was necessary to obtain capital and build up reserves. In any case, when the cost and quality of equipment were taken into account, a project financed at 5 per cent might prove cheaper in the long run than one financed at 2 1/2 per cent. With regard to the Bank's alleged lack of flexibility, the fact was that the bank had to be certain that principal and interest would be repaid and had to obtain Government guarantees to that end. On the other hand it also had to be certain that loans would be used to promote economic development and stability. Nevertheless, it had often approved loans which were economically and socially profitable but not necessarily directly financially profitable. In making loans totalling over 3,000 million dollars, the Bank had made a very important contribution to economic stability and development.

15. Further forms of action, such as the establishment of a Special Fund or a Development Fund, had been proposed with a view to granting under-developed countries long-term, low-interest loans principally for non self-liquidating projects. Such action would obviously be desirable and useful and the question of establishing non self-liquidating projects certainly had not been neglected. By the unanimous resolution 724 (VIII) the Governments of Member States had undertaken to ask their peoples, when sufficient progress had been made in internationally supervised world-wide disarmament, to devote a portion of the resulting savings to a development fund. That undertaking still stood. Many countries, including Belgium, had even expressed the view that it was not necessary to wait for disarmament

before establishing such a fund. The United States and the United Kingdom, whose participation was essential were, however, unwilling to associate themselves with the project for the time being and no fund could be set up without them. If SUNFED was to finance infrastructure development, largely by means of grants, it would require substantial renewable resources and an initial capital of at least \$250,000,000 and experience with the Expanded Programme had shown that resources on that scale could not be obtained without the active participation of the United States and the United Kingdom.

16. The alternative suggestion that the fund might be started with an initial capital of, for example, \$100,000,000 would accomplish nothing. The resources would have to be divided among a great many countries and territories and might well be absorbed by non-productive administrative expenditures. It had also been suggested that the Fund's statutes should be drafted so that it could begin operation as soon as resources became available. However, in view of the preparatory work that had been done, the drafting of statutes would require little time once funds became available. The Belgian delegation considered that the steps proposed in the draft resolution (A/C.2/L.331) concerning the capital financing fund would not be effective in the present circumstances and would therefore vote against the draft.

17. With respect to the United States proposal for the enlargement of the Expanded Programme, the Belgian Government could not commit itself to any increase in its contribution to the Programme, but as a demonstration of its desire to give careful consideration to any practical measure to promote the economic development of under-developed countries, was prepared to support the United States proposal calling for study of a broader technical assistance plan. In that connexion, it had been correctly pointed out that the initial operations of a development fund established with relatively little capital would necessarily have to be along the lines indicated in the United States proposal.

18. The view had been expressed that the two draft resolutions were not incompatible, but his delegation believed that it was impossible simultaneously to undertake a study aimed at the expansion of an existing, practical programme and to decide to set up a body which would in the present circumstances be of no practical value. Adoption of the eleven-Power draft would contribute nothing to the problem of economic development and would indeed only isolate the great countries responsible for the growth of economic assistance. Although the United States draft was apparently incompatible with the eleven-Power draft, it was, according to the United States delegation, compatible with the declaration in General Assembly resolution 724 (VIII) and as a result of that point of view a compromise might be possible. Agreement on a compromise proposal would demonstrate the United Nations intention to pursue its joint efforts to devise practical means of promoting the economic development of under-developed countries.

19. Mr. NIKOI (Ghana) said that the under-developed countries' most urgent need was the development of the infrastructure which would form the basis of their whole future economic progress. Unfortunately, however, such urgent basic projects as bridge and road building and the development of power resources did

not normally attract private investors. His delegation for that reason favoured some form of multilateral investment fund for the less-developed countries and felt that the establishment of SUNFED was of great importance. He regretted that some industrial countries, whose support was essential, considered that SUNFED could not be established until world-wide disarmament measures had been carried out. Such a position would, he felt, postpone the creation of the fund indefinitely. His delegation agreed with the Netherlands representative that SUNFED should be established without further delay, even if only on a modest scale in the beginning. Otherwise the whole project might well die a natural death.

20. With respect to the United States draft resolution (A/C.2/L.354), his delegation considered that the proposal for the enlargement of the Expanded Programme could only be a first step towards the establishment of SUNFED and not a substitute for it. As the two draft resolutions were not mutually exclusive, he hoped that the Committee would be able to find a compromise solution. In the absence of such a compromise, his delegation would support both drafts.

21. Mr. RAJAPATIRANA (Ceylon) observed that from the time of the battle of Waterloo to the First World War, most of the investment in the under-developed countries had come from the United Kingdom, not so much for balanced development of the under-developed countries themselves, but rather as part of that country's thriving commercial enterprise which resulted in a growing balance of international account. After the First World War, however, with the awakening of the under-developed areas to political and economic consciousness, the direction and purpose of such investments by industrial countries came under examination. The industrially developed countries had also come to see the need to foster a balanced and integrated world economy. The authors of the United Nations Charter had no doubt been guided by that consideration in requiring signatories to employ international machinery for the promotion of the economic and social advancement of all peoples and to create the conditions of stability and well-being which are necessary for peaceful and friendly relations through the promotion of "higher standards of living, full employment, and conditions of economic and social progress and development". In pursuance of those aims the United Nations Technical Assistance Administration (TAA) had been founded and the Expanded Programme of Technical Assistance launched, while the various specialized agencies had served, each in its own sphere. But all that had been felt to be not enough, and the General Assembly had adopted successive resolutions—resolution 520 (VI), resolution 822 (IX) and resolution 1030 (XI)—favouring the establishment of a Special United Nations Fund for Economic Development. The Economic and Social Council in turn, in its resolution 662 B (XXIV), had urged the General Assembly to decide to establish the fund and to take the steps necessary to that end.

22. The eleven-Power draft resolution now before the Committee was the natural outcome of all the past work in that direction. It was very disappointing, therefore, to find that the United States was not now prepared to support the establishment of a capital financing fund especially as the very idea of such a fund had emanated from United States economists and socio-

logists and was still widely supported in that country. He deplored the notion that establishment of the fund should be contingent upon the attainment of agreement on disarmament, for that in effect was subordinating the cause of peace to the cause of war. He was glad, however, to note that certain important European countries such as France and the Netherlands did not share the United States view on that point.

23. It was a matter of observation that in spite of the greatly increased rate of production of the industrial countries, there was a considerable weakening internationally or an internal erosion in the value of their currencies. But there was evidence that that symptom could be allayed if the economic growth of the industrial countries could be matched by an equal rate of economic growth among the under-developed countries. For that, however, the latter countries needed capital funds. The United States proposal did not, he submitted, hold out any hope in that direction. An enlarged Expanded Programme would, of course, be very welcome, and the proposed Special Projects Fund would be a helpful addition to the present technical assistance work, but even assuming that contributors other than the United States would rally round and provide the \$66 million necessary to make up the total \$100 million fund—and that, he considered, was highly unlikely in view of the express reservations made by many delegations in giving their support to the resolution (A/C.2/L.347) adopted by the Second Committee at its 489th meeting appealing to participating Governments to consider increasing the financial resources of the Expanded Programme—there was no indication that any real economic development would succeed the proliferation of studies which was all that the proposal had immediately in view. The proposed Special Projects Fund would do no more, in fact, if anything, somewhat less, than was already being done under the Expanded Programme; indeed, it had been stated quite categorically that it was not intended to function as an international capital fund. It was unrealistic to suppose that private capital would come into play when the preliminary surveys had been completed. In many countries domestic savings were barely sufficient to provide the domestic investment required merely to maintain existing standards of living. Moreover, there was no guarantee that a form of economic development which had proved successful in one country or area would be equally successful when transplanted elsewhere. Furthermore, the building of the economic and social infrastructure, which was the essential basis for any increase in productivity, could not be financed out of private capital or by existing international

financing institutions such as the Bank. It was for that reason that the under-developed countries clung to the idea of a United Nations economic development fund, an idea which had been endorsed at the Asian-African Conference at Bandung by a great many States Members of the United Nations from Asia, Africa and the Middle East.

24. His delegation had been acutely disappointed to hear the United Kingdom, too, a country long in the forefront in the financing of economic development, oppose the immediate establishment of an economic development fund. It was not that such countries as the United Kingdom and the United States had not devoted large sums to the financing of economic development in the under-developed countries, but simply that the problem was so vast that all that had been done so far was no more than a drop in the bucket. He earnestly hoped therefore, that the United Nations would awake to its responsibilities in that field, that it would not let the great idea of SUNFED wither and die, and that it would see to it that the help given to the under-developed countries in their urgent need was neither too little nor too late.

Statement by the Chairman

25. The CHAIRMAN informed the Committee that he would unfortunately be obliged to leave New York before the end of the session and that after his departure the Vice-Chairman would take the Chair until the end of the session. He thanked the members of the Committee for their co-operation and expressed his gratitude for the assistance afforded him by the Under-Secretary for Economic and Social Affairs, the Executive Chairman of the Technical Assistance Board (TAB), the Director-General of TAA, the officers of the Committee and the Secretariat.

26. Mr. BRADLEY (Argentina), on behalf of the Latin American delegations, Mr. JUNG (India), on behalf of the Commonwealth delegations, Mr. ARMENGAUD (France), on behalf of the delegations of Western Europe, Turkey, Greece and Finland, Mr. ARKADEV (Union of Soviet Socialist Republics), Mr. STANOVNIK (Yugoslavia), Mr. RAJAPATIRANA (Ceylon), on behalf of the African-Asian delegations, Mr. STIBRAVY (United States of America), Mr. ABDEL-GHANI (Egypt), on behalf of the Arab delegations, and Mr. HASSAN (Sudan) expressed their appreciation of the skilful and impartial manner in which the Chairman had guided the Committee in its work.

The meeting rose at 4.55 p.m.