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Chairman: Mr. Mohammad MIR KHAN (Pakistan).

*In the absence of the Chairman, Mr. Lychowski
 (Poland), Vice-Chairman, took the Chair.*

AGENDA ITEM 27

Economic development of under-developed countries (A/3154, A/3192) (continued):

(a) Question of the establishment of a Special United Nations Fund for Economic Development: report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2, A/C.2/L.296, A/C.2/L.300) (continued)

1. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) said that, while stressing the importance of the mobilization of national capital to finance the economic development of under-developed countries, his delegation did not underestimate the value of international co-operation based on equality of rights and on mutual interests. The measures taken to assist the under-developed countries were a genuine expression of international solidarity. The Minister for Foreign Affairs of the USSR, Mr. Shepilov, had informed the General Assembly at its 589th plenary meeting that the Soviet Union felt that it would be desirable to establish a Special United Nations Fund for Economic Development (SUNFED) and was prepared to participate.

2. The Soviet delegation supported the proposal submitted by India and a number of other countries that SUNFED could begin operations with an initial capital of \$100 million, and not \$250 million as had been proposed by the Committee of nine in its report (E/2381). In that connexion it was assumed that the initial sum would be increased by using part of the resources which would be released as a result of an agreement on a reduction of armaments and military budgets.

3. The Soviet delegation endorsed the proposal of the Committee of Nine that SUNFED could begin

operations only after contributions had been announced by not less than thirty States which, in his delegation's opinion, should include the major industrialized countries as the main contributors. The Soviet delegation considered that contributions to SUNFED should be voluntary.

4. The Special United Nations Fund for Economic Development should provide assistance in the form of long-term, low-interest loans, and interest-free loans could also be made; the under-developed countries could repay loans in their own currencies. The main purpose of SUNFED should be to assist the under-developed countries to develop their national economies. It should be an independent organ of the United Nations and not subordinate to the International Bank for Reconstruction and Development or to any other specialized agency.

5. The Special United Nations Fund for Economic Development should be set up on the basis of equality of all countries and should be accessible to all countries wishing to participate. The membership of the executive board of SUNFED should be based on the principle of the equal representation of the main contributors on the one hand and of the under-developed countries on the other. The establishment of SUNFED should not be postponed until agreement on a reduction of armaments had been reached. Contributions should be made in national currencies or in kind, through supplies of equipment, machinery and goods.

6. The establishment of SUNFED would be a highly constructive step and would help both to speed up the social progress of peoples and to reduce international tension.

7. Mr. GROOTJANS (Belgium) said that his country fully appreciated the importance of the economic, social and political reasons for furnishing assistance to the less privileged countries and took part in activities of all kinds directed towards economic development. Belgium had not only supported the establishment of SUNFED in principle but had expressed the view that, under certain conditions, it was not essential to postpone its establishment until general disarmament had been achieved.

8. Belgium had had considerable experience in the economic development of under-developed countries as it had undertaken a ten-year economic and social investment plan, the total cost of which would be approximately \$962 million, in extensive territories where the population was rapidly increasing. Rather more than half the investments under the plan were economic in character; social investment accounted for one quarter and the remaining funds were allocated to public services and agricultural development. The implementation of the plan was proceeding rapidly, particularly in the field of transport and electric power; a very large number of dwellings had been built for the indigenous population, as well as 1,600 schools and numerous buildings to be used for medical or scientific purposes;

in addition, 270,000 farms would be made available to indigenous farmers by 1959. Belgium did not intend to abandon the programme that was being undertaken in those territories. It was therefore natural that Belgium should take its own commitments into account when considering participation in the proposed establishment of SUNFED.

9. In accordance with its tradition, Belgium was anxious to consider the problem realistically and as a whole. It was obliged regretfully to conclude that the time was not yet ripe, since, in its view, the success of SUNFED required the unanimous agreement of all the countries whose co-operation was necessary in the technical as well as in the economic and financial fields.

10. Belgium agreed with the many countries which felt that SUNFED should have \$250 million to begin operations. That initial sum was in fact small; if it were divided among the 115 countries receiving help under the Expanded Programme of Technical Assistance, the average share would be only about \$2 million. Besides, it was not sufficient merely to establish SUNFED; its resources would have to be regularly replenished. It followed that unanimous support was indeed the essential condition for such a vast undertaking, especially if, as some hoped, grants-in-aid were to be a main feature.

11. The interim report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2) showed that there was disagreement on all the general principles and on all the practical issues involved in the establishment, structure and operation of SUNFED. In those circumstances the drafting of statutes would obviously be an extremely difficult task. His delegation felt that it would be considerably facilitated if general agreement were first reached on the principle of the establishment of SUNFED; it would be easier to decide on the rules to be adopted when the final position of the principal contributing countries became known. His delegation considered that the adoption of a resolution providing for the immediate drafting of statutes and for the establishment of SUNFED in the near future would run counter to the desired purpose, which was to establish at the appropriate time a new institution which could effectively contribute to the financing of the economic development of under-developed countries.

Mr. Mir Khan (Pakistan) took the Chair.

12. Mr. GIRETTI (Italy) said that his country was in favour of all forms of international action designed to accelerate the economic development of under-developed countries, and in principle supported the establishment of SUNFED.

13. The Italian delegation fully understood the reasons which had prompted the sponsors of the two draft resolutions (A/C.2/L.296, A/C.2/L.300) to call for the drafting of statutes, and had given careful and sympathetic consideration to the two drafts. However, his delegation had some misgivings regarding the two drafts because it was anxious that positive and effective action should be taken towards the establishment of SUNFED.

14. In the first place, he doubted whether it was really appropriate to entrust the *Ad Hoc* Committee with that task when the countries which were expected to be the chief contributors had not taken any decision or replied to the questionnaire sent to them by the Secretary-General. In the circumstances, there was reason to fear that such a procedure might seem too precipitate and might yield negative results.

15. He also doubted whether the *Ad Hoc* Committee could, on the basis of the replies received, prepare a draft statute of real practical value. The Committee's interim report showed that the Governments were not in agreement on the role of SUNFED, the nature of contributions, the question of loans or grants-in-aid, the structure, the initial capital, *et cetera*. A similar divergence of views had become apparent during the discussion, even among the delegations most in favour of the speedy establishment of SUNFED.

16. The preparation of draft statutes might well prove to be a waste of time. The Special United Nations Fund for Economic Development could not be established with any assurance of success unless it was certain that all the necessary preliminary conditions for its effective operation were satisfied. To start off without such an assurance would be to risk grave disappointment which might injure the cause which all members of the Committee were anxious to serve.

17. His delegation would welcome real progress towards the establishment of SUNFED. The Committee might perhaps decide to broaden the terms of reference of the *Ad Hoc* Committee and instruct it to analyse the replies by Governments and to formulate principles on that basis. He recalled that that suggestion had met with objections on the part of the delegations of the Soviet Union and Poland when the interim report of the *Ad Hoc* Committee had been drafted; those delegations had considered that such a task was outside the Committee's terms of reference under General Assembly resolution 923 (X). It seemed therefore that the broadening of the terms of reference of the *Ad Hoc* Committee would be a step forward and would simplify the drafting of statutes at a later stage.

18. In any event, the drafting of statutes was not the main problem. History showed that statutes and constitutions had real meaning only if the will to observe them and the means to enforce them were present; it showed also that it did not require much time or effort to draft statutes if conditions were such as to permit their implementation. In that connexion he recalled the circumstances in which the Magna Carta had been drawn up in England. He was convinced that the statutes could be drafted with equal speed when conditions were favourable for SUNFED itself to be put into operation. His delegation would co-operate unreservedly in the search for practical and effective measures calculated to hasten the establishment of SUNFED.

19. Mr. Lychowski (Poland) observed that after three days' discussion on the establishment of SUNFED the Committee had before it two draft resolutions presented by more than forty delegations, both proposing that the *Ad Hoc* Committee should be requested to draft a statute for the proposed international body. At the same time, the Committee had so far heard the delegations of the United States, Australia, Belgium and Italy express disapproval of that idea. Thus, the majority appeared to favour the speedy establishment of SUNFED, but the minority opposed to it included countries which could render any positive vote by the Committee ineffective.

20. That situation called for certain observations. Various delegations had spoken of the contributions which their Governments were making for the benefit of the under-developed countries under bilateral agreements or even unilaterally. Anyone comparing that activity with the negative attitude of those countries toward international action in that sphere would be forced

to conclude that the real question at issue was whether foreign assistance as a whole was to be bilateral or multilateral.

21. His delegation had already on several occasions stated that in its view the importance of outside assistance in the economic development of the under-developed countries was secondary. The economic and social advancement of those countries, which contained more than half the world's population, was closely connected with the balance of the world economy. Consequently, any international action intended to bring the problem nearer to solution ought to deal also with international trade and, in particular, trade in primary commodities, the international flow of capital, technical progress and its influence on the demand for various raw materials, *et cetera*. Even though it might not be possible at present to undertake effective international action on so wide a scale, his delegation felt that the United Nations ought at least to endeavour to help those countries by all possible means, if only to a limited extent and in a fragmentary manner. It remained to decide what form such assistance should take, whether bilateral or multilateral.

22. According to the statements heard so far, it appeared that the potential beneficiary countries were definitely in favour of multilateral action. On the other hand, it was understandable that the highly developed industrialized countries, which would make the largest financial contributions and which, in many cases, had particular economic interests in the territories of the beneficiary countries, should prefer to furnish assistance under bilateral agreements, for that method assured them of opportunities of serving those particular interests. That was the real reason for the hostility shown by the majority of the highly developed countries towards multilateral—that was to say, international—action in the field of foreign assistance to the under-developed countries.

23. Examining the arguments which had so far been advanced against the drafting of a statute for SUNFED, he observed that the argument most often used was that linking the establishment of that body with the limitation of armaments. It was well known, however, that the majority of the countries using that argument were precisely those which were firmly opposed to a speedy reduction of armaments expenditure. It was obvious that the attitude of those countries towards SUNFED revealed a desire to see its establishment postponed indefinitely. Moreover, the argument linking that establishment with a reduction in armaments expenditure was economically indefensible. As the representative of Iran had observed, the initial sum required for SNNFED represented barely 0.25 per cent of the world's total expenditure on armaments.

24. Nor could the Polish delegation accept the argument put forward at the previous meeting by the representative of the United States, who was apparently awaiting a better economic and political climate before supporting the establishment of SUNFED since the future was, in his opinion, uncertain. But economics and politics were closely linked: politics influenced economics and the reverse also was possible. As the representative of Yugoslavia had rightly observed, the political tension of recent months was economic in origin. The Polish delegation believed that the speedier and more effective the foreign assistance given to the under-developed countries, the better would be the chances for a general relaxation of tension in international relations.

25. It was wrong to claim, as the representative of Australia had done, that certain differences of opinion concerning the functions and structure of SUNFED and the nature of its future operations were sufficient to justify a further postponement of the drafting of its statute. Such varying opinions merely constituted a vast collection of information on which the *Ad Hoc* Committee could usefully base its work in drafting the statute.

26. In short, the arguments put forward were not valid; they were intended simply to conceal the real crux of the matter: the desire of the principal contributing countries to preserve the bilateral nature of the assistance they furnished to certain under-developed countries. The Polish delegation considered that, although that might be justified in certain cases, it was difficult to explain the persistence with which those countries were trying to bar any action which might render such assistance largely multilateral, under the auspices of the United Nations.

27. Turning to a consideration of the part which SUNFED should play within the framework of the unfortunately fragmentary action which the United Nations could at present take for the benefit of the under-developed countries, the more technical aspects of the structure and the nature of the operations of the proposed body ought, in his delegation's view, to be left aside for the time being. The *Ad Hoc* Committee would have ample opportunity to discuss them. Nevertheless, it was possible there and then to endorse the opinion expressed at the previous meeting by the representative of France, that SUNFED should be used solely to finance the economic infrastructure of the under-developed countries and should not be used for their economic development as such. The objective should be commensurate with the initial sum of \$250 million which had so far been regarded as the maximum possible. The economic development of the under-developed countries would ultimately require tens of thousands of millions of dollars but, as the Polish delegation had already observed, the expenditure of about \$30 million annually on technical assistance under the auspices of the United Nations appeared to have been useful. Similarly, by limiting the work of SUNFED to the rather narrow field of the economic infrastructure, there was reason to hope for some positive results with a limited initial sum—assuming, of course, that the Fund actually came into existence.

28. The Polish delegation reserved its right to speak again when the Committee discussed the draft resolutions; it hoped, incidentally, that the sponsors of the two drafts would reach agreement on a single text. The Polish delegation would vote for any resolution which would make for the speedy drafting of a statute for SUNFED and the early start of its operations.

29. Mr. ARAGON (Guatemala) said the time had come for the Committee to give practical expression to the generous intentions which its members had so far professed regarding the establishment of SUNFED.

30. It had been alleged that there were various obstacles to the application of the plan: unfavourable circumstances, opposition on the part of certain major potential contributors and disagreements between Governments on organizational and operational matters which nullified any attempt to draft a statute. Such objections, he thought, betrayed a negative attitude with regard to the positive elements which he now proposed to elucidate. For five years the Committee had been

awaiting a propitious moment for the establishment of SUNFED; yet certain delegations were now inviting it to delay still longer. It was not by letting time go by but by deciding to establish SUNFED that the Committee would find the circumstances favourable to its constitution.

31. The question of the contributions of the major participants was raised in the debate because it was generally believed that bilateral and multilateral aid were mutually opposed. However, modern economic history amply proved that the two systems were far from incompatible. Their aim—the development of national economies—was the same; they merely satisfied slightly different needs. The reasons which prompted Governments to grant bilateral aid would continue to exist for a long time; it was therefore realistic to suppose that such aid would long be maintained.

32. That did not mean that the delegation of Guatemala felt that the establishment of SUNFED was unjustified; on the contrary, it believed that SUNFED would fill a gap in the present international system of financing. To prove that such a gap existed, he reviewed the existing international credit institutions—the International Monetary Fund, the International Bank for Reconstruction and Development and the International Finance Corporation—and indicated their functions. His conclusion was that there was at present no institution to which Governments could apply when compelled to finance infrastructural projects involving imported capital equipment but not necessarily producing income in foreign currencies. Only by international co-operation could such Governments be helped; besides, not all countries were in receipt of bilateral aid.

33. Through SUNFED all countries would be able to receive assistance under conditions of equality. It had to be admitted, however, that such a possibility was hypothetical rather than real, since it was difficult to estimate what resources would be available to SUNFED; they might well be relatively small if armaments expenditure was not appreciably reduced. While it was true that the various participating countries would have to immobilize some of their resources in order to make a contribution, it should not be forgotten that the world contained unexploited wealth which, with the help of international co-operation, would sooner or later enter the cycle of production and help to raise the general standard of living. Consequently, he considered the problem of contributions to be imaginary.

34. With regard to the legal aspect, in supporting the Latin American proposal requesting the *Ad Hoc* Committee to prepare a draft statute his delegation had not adopted the view, apparently held by some delegations, that a detailed instrument should be prepared. The delegation of Guatemala felt that it would be better to do no more than define in general terms the aims and structure of SUNFED. The draft statute it had in mind would be of a strictly preliminary nature, but would nevertheless constitute an appreciable advance towards the establishment of SUNFED.

PREPARATION OF REPORTS OF THE INTERNATIONAL FLOW OF PRIVATE CAPITAL (A/C.2/L.310)

35. The CHAIRMAN invited the Committee to take a decision on the draft resolution which the Secretary-General had proposed for adoption in paragraph 3 of his note concerning the preparation of reports on the international flow of private capital (A/C.2/L.310) and which was in complete conformity with the recommendation made by the Economic and Social Council in its resolution 619 (XXII).

There being no objections, the draft resolution was adopted unanimously.

AGENDA ITEM 26

Programmes of technical assistance (continued)

ADMINISTRATIVE AND OPERATIONAL SERVICES COSTS OF THE EXPANDED PROGRAMME OF TECHNICAL ASSISTANCE (A/C.2/193 and Add.1, A/C.2/L.312, A/C.2/L.314)

36. The CHAIRMAN invited the Committee to take a decision on the draft resolution in document A/C.2/L.312.

37. In accordance with the Committee's request at its 428th meeting, he had written to the Chairman of the Advisory Committee on Administrative and Budgetary Questions. His letter, together with the Chairman's reply, were contained in document A/C.2/L.314. In view of the statement made by the Chairman of the Advisory Committee in paragraph 6 of his reply, he proposed, if the Committee adopted the draft resolution, to send a copy to the Chairman of the Fifth Committee.

38. Mr. Gopala MENON (India) saw no objection to the adoption of the proposed draft resolution, which conformed to the recommendations made by the Technical Assistance Committee and the Economic and Social Council. Nevertheless, the Second Committee in its report to the General Assembly should clearly state that according to its understanding the Advisory Committee on Administrative and Budgetary Questions would report to the General Assembly at its twelfth session on the result of the study on administrative and operational services costs of the organizations taking part in the Expanded Programme of Technical Assistance.

It was so decided.

39. Mr. CUTTS (Australia) was glad that the Technical Assistance Committee and the Economic and Social Council had taken the initiative in requesting the General Assembly to authorize the Advisory Committee on Administrative and Budgetary Questions to help them review the administrative and operational services costs of the Expanded Programme of Technical Assistance. It did not seem essential to transmit the proposed resolution to the Fifth Committee, but he would gladly accept the procedure suggested by the Advisory Committee out of respect for that body.

There being no objections, the draft resolution was adopted unanimously.

The meeting rose at 12.15 p.m.