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Chairman: Mr. Mohammad MIR KHAN (Pakistan).

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. FLERE (Yugoslavia) said that the developments of the past year had lessened neither the importance nor the urgency of the establishment of the Special United Nations Fund for Economic Development (SUNFED). Indeed, during that period unsolved economic problems had brought about a political eruption which had undoubtedly worsened the conditions for international understanding and co-operation. Those conditions could not be improved by words but only by deeds—by multilateral, world-wide action.

2. The establishment of SUNFED, which had been under discussion for six years, would be one way of taking such action. The Yugoslav delegation was convinced that it was possible and necessary to take serious preliminary steps towards that goal. That view was borne out by the comments of Governments summarized in the interim report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2). The great majority of Governments asked that SUNFED should be established as soon as possible; furthermore, they expressed very similar views on its main features.

3. There were of course some differences of opinion, but they were due partly to political considerations and partly to the lack of specific studies on some aspects of SUNFED's operations. They should not, therefore, prevent the undertaking of preparatory work with a view to finding common solutions. The divergent views could not, however, be reconciled by means of abstract examination, as the Australian representative had proposed at the previous meeting. There could be no hope of achieving that except through detailed, specific proposals concerning, first of all, the statute of SUNFED.

4. All were aware of the need to crystallize the idea of SUNFED in legal terms, to prepare a legal framework for its operations. The drafting of the statute would necessarily be a heavy task, for it was a question not merely of legal formalities but of finding generally acceptable solutions. It was therefore primarily a process of negotiation, and it was desirable that as such it should take place within the framework of the *Ad Hoc* Committee. The drafting of the statute in no sense implied the exertion of pressure on the contributing countries; it was a preparatory and exploratory operation which should bring the unity of views closer to attainment.

5. In order to determine how SUNFED was to function it would also be necessary to carry out another study, to outline the programme of operations by defining the field of activity and perhaps preparing a list of projects in keeping with the forms of financing it was proposed to offer. The Yugoslav delegation considered the study of such a tentative programme to be the only means of providing members of the Committee with a clear idea of the functions and potentialities of SUNFED and of the practical difficulties to be faced in implementing the programme.

6. Like the drafting of the statute, the preparation of the outline of operations would be carried out under the guidance of an intergovernmental body, the *Ad Hoc* Committee, assisted by the Secretary-General and, if possible, the secretariats of the specialized agencies. Many United Nations bodies, in particular the Technical Assistance Administration, the secretariats of the regional commissions and the Food and Agriculture Organization of the United Nations would certainly be able and willing to provide very useful material.

7. Under its existing terms of reference the *Ad Hoc* Committee was restricted to analysing the replies and comments of Governments; but that would obviously be a waste of time and resources unless it were followed by further action and measures preparatory to the establishment of SUNFED. The Yugoslav delegation therefore took pleasure in sponsoring, in common with twenty-two other countries, the draft resolution appearing in document A/C.2/L.300. Under paragraph 3 (b) the General Assembly would request the *Ad Hoc* Committee to report on the further steps recommended for the early commencement of the operations of SUNFED. In his delegation's opinion, one such step should be to prepare an outline of such operations.

8. His delegation noted with satisfaction that eighteen Latin American countries had also presented a draft resolution (A/C.2/L.296) prompted by the same considerations as had inspired the draft resolution of which Yugoslavia was a co-sponsor and with a similar operative part. He was convinced that the sponsors of the two draft resolutions would have no difficulty in submitting a joint text in the near future for adoption by the Committee.

25. The Special United Nations Fund for Economic Development was, to put it briefly, a logical extension and facsimile of the Marshall Plan. The United States, which had allocated \$13,000 million to Europe in the form of grants and low-interest loans, could not now refuse to co-operate in the international action that was being set on foot for the purpose of assisting the less developed regions. The under-developed countries, or those which were in process of development, were well aware of the generosity of that great country and could not conceal their disappointment at its hesitant attitude.

26. There was another point on which the Haitian delegation felt some anxiety; respect for majority decisions was the very essence of democracy, yet although the great majority of Member States were urging that SUNFED should be established and were willing to contribute to it in proportion to their revenue, it was the three or four richest and most generous democracies which wished to oppose the immediate implementation of the project.

27. There was no need to repeat all the arguments in favour of establishing SUNFED. He could not, however, refrain from pointing out that many statesmen had repeatedly expressed the hope for such a fund, among them President Eisenhower who, on 6 April 1953, had proposed that a special fund should be financed from some of the savings resulting from general disarmament under international control. The President of the United States had counted upon pressure from the under-developed countries to induce the Soviet Union to help bring about world disarmament. For their part, the under-developed countries did not hesitate to implore the Soviet Union to reach some compromise which would slow down the onerous armaments race.

28. Compared to the thousands of millions of dollars which were devoted each year to military expenditure, the sum of \$250 million required to launch SUNFED was trivial. The delegations of the industrial Powers should not lose sight of the fact that the development of the under-developed countries would create new export markets; for that, however, the under-developed countries needed an economic and social infrastructure which they were unable to finance with their own inadequate resources. It might be objected that investments in the form of grants and low-interest, long-term loans belonged more in the field of philanthropy than in that of economics. That argument was very short-sighted; countries were becoming more and more closely interconnected, and it was to the interest of all to narrow the gap between the developed and the under-developed countries.

29. The Australian representative had expressed serious doubts as to the expediency of establishing SUNFED forthwith. Unable to share those doubts, he would mention once more the success of the Marshall Plan and would point out that the authors of the many studies that had been devoted to SUNFED had all realized that the time had come for action. In support of that statement, he cited the various reports of the United Nations committees of experts (E/1986, E/2381, A/2906), together with the report by Mr. Raymond Scheyven (A/2728 and Corr.1). He stressed the competence of the authors and briefly summarized the contents in order to show how thorough and comprehensive those studies had been. In all conscience, it was impossible to deny the potential value of SUNFED and the urgent need for its establishment. The delegation of the

Soviet Union had expressed similar doubts when the Expanded Programme of Technical Assistance had been contemplated, but the USSR was now one of the participating States. He hoped that Australia would experience a similar change of heart, for that country had always been among the first to participate in any plan to assist those in need.

30. Mr. HOFFMAN (United States of America) said that he had already spoken in the Committee of the many kinds of aid which the United States was furnishing to under-developed countries and he would like to recall what President Eisenhower had said a few days earlier in his inaugural address, that the United States recognized and accepted their own deep involvement in the destiny of men everywhere.

31. It was in that spirit that President Eisenhower had pledged to support the establishment of a United Nations fund for economic development and that pledge had been reaffirmed on several occasions in the United Nations by representatives of the United States. Some representatives, however, were showing more and more impatience with the conditions laid down by the United States, namely, that it would consider joining an international development fund within the framework of the United Nations only when sufficient progress had been made in disarmament. He could well understand how proposals for a great programme for economic development aroused enthusiasm among all those who were concerned with human happiness, but if that new programme was to bring anything more than promises to the under-developed countries it could not disregard the economic and political climate in which it was to be created and carried out.

32. When in April 1953 President Eisenhower had envisaged the participation of the United States in SUNFED, he had looked forward to a world in which international tension would be substantially reduced and in which the available resources could be devoted to peaceful purposes. Unfortunately tension had now increased, the requirements of defence were making even greater demands and the future was uncertain. In the circumstances, the United States was not prepared to contribute to a new fund.

33. Moreover, it seemed that many other countries were not at present prepared to make any considerable financial contribution to SUNFED. He did not wish to minimize the support that a number of countries were prepared to give, but it seemed to him that the significant point was not the amount of financial support which had been promised but rather the amount of support which was not yet forthcoming. In fact, the anticipated contributions fell far short of the minimum considered necessary by the experts who had prepared the preliminary studies on the question. That being so, the United States delegation was reluctantly forced to conclude, as Mr. Scheyven had done two years earlier, that the essential conditions for the establishment of a new development fund for the under-developed countries did not exist.

34. The Committee had before it two draft resolutions submitted by a large number of countries; in accordance with those resolutions, the United Nations would be requested to proceed forthwith to draft the statute of SUNFED. The United States delegation thought that at the present time it would be premature to undertake that task; it was necessary to wait until the establishment of SUNFED became a practical possibility. The example of the International Finance Corporation and the International Atomic Energy

Agency had shown that the basic legal framework for such bodies could be quickly established as soon as the contributing countries had pledged the necessary aid.

35. If the United Nations adopted the draft resolutions in question, it would give the under-developed countries the impression—no matter how carefully those who advocated the immediate drafting of the statute might qualify their statements—that a decisive step had been taken towards the establishment of a new programme of multilateral economic aid. As for the hopes thus aroused, either the statute would remain on paper, for SUNFED could not be established without financial resources, or it would serve as the legal basis for a fund ostensibly designed to carry out an enormous task but which in fact would be incapable of making any significant contribution to economic development. Moreover, SUNFED might be established along lines which would make it impossible for some Member States which had not participated in its development at every stage to give it their support. For that reason the United States delegation would vote against the two draft resolutions. Should they be adopted, it would be unable to participate in drafting the statute.

36. On the other hand, his delegation was willing to participate in the exploration of the available resources and in examining the suggestions submitted by Governments which might be useful when the establishment of SUNFED became practicable. It had recently served on the *Ad Hoc* Committee for that purpose. It would give thorough consideration to any ideas that delegations might submit concerning the possibility of additional preparatory work by the *Ad Hoc* Committee along those lines.

37. To defer the creation of SUNFED did not mean the postponement of economic development. Although there might at present be differences of opinion in the Committee regarding the means to be employed, there was unanimous agreement on the end itself: namely, to help people throughout the world to uproot poverty, disease and hunger. The fund in question might help to attain that objective, but it was not the only means of doing so. It should not be forgotten that a great deal was being done, both inside and outside the United States, to assist the under-developed countries. The United States would continue to give that work of assistance the high priority it deserved. It would also try to find more effective methods, if possible, of assisting the under-developed countries.

38. Mr. ELEKDAG (Turkey) observed that although during the past century economic development had confirmed the dictum that action usually preceded the formulation of a satisfactory theory, the same could not be said about the establishment of SUNFED. In fact, in spite of the great interest which the idea had aroused throughout the world, and in spite of the many studies which had been made, SUNFED had not yet been established.

39. The fundamental reason for that state of affairs seemed to be the difficulties encountered in solving certain political problems. The industrialized countries, which would be able to breathe life into such an organ, said that they could not take any steps in that direction because the enormous demands of their national defence did not for the time being leave them with sufficient resources. He recalled the statements made by the representatives of those countries at the tenth session of the General Assembly. Their attitude did not appear to

have changed and the large industrial countries were evidently not prepared to commit themselves regarding their contributions to SUNFED.

40. During the discussion many countries had expressed their dissatisfaction with the rate at which consideration of the proposal was proceeding; that feeling was reflected in the eighteen-Power draft and in the twenty-three-Power draft. The Turkish delegation, for its part, had already stated, in the Economic and Social Council and in the General Assembly, that SUNFED should be set up without delay. That was the view it had held from the start, and it had frequently had occasion to repeat it during the lengthy debates to which the question had already given rise. There was, however, one point on which it would be useful to reflect: namely, whether the adoption of the resolutions under consideration would suffice to solve the problem. In the circumstances he did not think that the rule of the majority would prove very effective. The success of SUNFED depended on the unanimous support of both the under-developed countries and the developed countries. It was therefore to be hoped that the industrialized countries would take a longer view and would endeavour to reduce the ever-widening gap between levels of living in the developed and in the under-developed countries—a state of affairs which was generally held to be one of the main causes of world instability.

41. The Turkish delegation also hoped that when confidence had been restored and disarmament had become effective it would be possible to devote the resulting savings to SUNFED so that it could begin operations. Even at present, there was no reason why circumstances should prevent the preparatory work being done and the framework for the operation of SUNFED being worked out.

42. With regard to the role of SUNFED, the Turkish Government's views were no different from those expressed by Governments in the replies which the *Ad Hoc* Committee had analysed in its report. In its opinion, SUNFED should not confine its operations to redeemable and self-liquidating projects, but should encourage all forms of investment in countries in need of capital by offering favourable terms. It would thus be an important centre for international public assistance to countries in course of development, since the financing of development projects was not always attractive to private capital or to existing international credit institutions, whose fields of activity were strictly limited. The Turkish delegation hoped that SUNFED would have a broader field of action and that it would be able to grant long-term loans to enable the under-developed countries to launch many development programmes which they could not otherwise undertake.

43. The Turkish delegation also advocated the making of grants-in-aid, but felt that a distinction should be made, in the use of SUNFED's resources, between loans and grants. Grants-in-aid should be used for the financing of the economic and social infrastructure—in other words, for investments which yielded no income for the payment of interest or the repayment of principal.

44. There were, however, fields in which investments, in normal conditions and after a certain length of time, became productive. His delegation thought that loans should be used exclusively for investments of that kind. When such loans were used to finance industrial or agricultural development projects which would not be

very productive financially in the near future, they should be granted on a long-term basis and at a lower rate of interest than that charged by the Bank and similar institutions.

45. With regard to contributions to the operational budget of SUNFED, his delegation felt that the amount should be fixed according to some fair system established by the United Nations. The criteria applied should be the national *per capita* income, foreign exchange reserve and balance of payments situation of the contributing country. It would be preferable for contributions to be made in convertible currencies; the situation of the under-developed countries which had balance-of-payments difficulties should, however, be taken into account and they should be allowed to pay their contributions in local currency. The proposed starting capital—\$250 million—was small enough in relation to the operations contemplated, but his delegation thought it appropriate as a minimum initial sum. The budget would naturally have to be renewed each year.

46. With regard to the relations between SUNFED and the specialized agencies, the Turkish delegation thought that they should consist in consultations. In order best to fulfill its purpose, SUNFED should be an autonomous and independent body. In particular, since its business would be to help finance sectors which did not come within the sphere of operations of the Bank, it should have no connexion with that agency. So far as the structure of SUNFED was concerned, the Turkish delegation thought that the executive board should consist of an equal number of developed and under-developed countries.

47. In the appraisal of projects it would be well to divide the investment schemes of beneficiary countries

into two groups: first, those which would have a beneficial effect on the foreign exchange situation of such countries and, secondly, those relating to the infrastructure and designed to raise the country's level of living. The latter should be the object of grants-in-aid. The Special United Nations Fund for Economic Development could devote to them the net profit accruing from its operations. In taking decisions on applications for grants-in-aid, it should be guided by humanitarian principles, bearing in mind the urgency of the needs of the requesting countries, the resources of their economy and their financial situation. In the case of projects which would affect the foreign exchange balance and productivity, the Turkish delegation considered that assistance should be granted in relation to the positive results expected in the near future and to the efforts being made by the beneficiary country to promote its own economic development.

AGENDA ITEM 28

Establishment of a world food reserve: report of the Economic and Social Council (A/3154, A/3192) (concluded)

ADOPTION OF THE RAPPOREUR'S REPORT (A/C.2/L.313)

48. The CHAIRMAN drew attention to the draft report of the Second Committee to the General Assembly (A/C.2/L.313).

In the absence of any comment, the draft report was adopted.

The meeting rose at 12.20 p.m.