



**CONTENTS**

Agenda item 27:	
Economic development of under-developed countries	
(continued):	
(a) Question of the establishment of a Special United Nations Fund for Economic Development: report of the <i>Ad Hoc</i> Committee (continued).....	245

**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.315) (continued)**

1. Mr. BAHADUR (Nepal) said that his delegation had associated itself with the sponsors of the joint draft resolution (A/C.2/L.315) in the hope that the Special United Nations Fund for Economic Development (SUNFED) would be established without delay and thus give concrete proof of the desire of the United Nations to do away with the division of human beings denounced by Mr. Raymond Scheyven. In addition, the establishment of SUNFED would have the great virtue of providing the United Nations with a central agency which could co-ordinate the various types of assistance to the under-developed countries.

2. The fear had been expressed that the international climate was hardly propitious, but the delegation of Nepal felt that the anxieties of the moment should not turn the United Nations from the path of duty. In the last analysis, world opinion would always foil the aggressive purposes of those who tried to violate justice and right. Hence the preparation of a statute for SUNFED, the logical sequel to the work done so far, should not be delayed. It might be useful to follow the example of the International Atomic Energy Agency.

3. Nepal was conscious of the responsibilities devolving upon it both nationally and internationally through its membership in the United Nations, and was determined to spare no efforts to establish for itself, with the aid of the United Nations and of the specialized agencies, the economic and social infrastructure of which it was so sorely in need. However, it felt that technical and economic progress should never be made at the expense of spiritual and cultural values, which meant a great deal to the people of Nepal.

4. He hoped that the major contributing Powers would join with the other delegations in helping the

United Nations to accomplish its tremendous task of raising standards of living in the under-developed countries while promoting stability and peace throughout the world.

5. Mr. VALERIAN (Romania) said that the Romanian delegation regarded the establishment of SUNFED as not only feasible but essential. It was convinced that the execution of the plan would help to bring about a *rapprochement* between States, because any measure designed to strengthen international economic co-operation was bound to be reflected in a relaxation of political tension. The mere recognition of the cause and effect involved refuted the argument that the time was not ripe for the establishment of SUNFED.

6. In the view of the Romanian delegation, it was not essential to amass \$250 million in order to set up SUNFED; it could begin, as an experiment, with a smaller amount of initial capital. Obviously, an international agreement on the reduction of armaments would allow Member States to increase their contributions considerably, but in that connexion the United Nations should appeal to all Governments, particularly the great Powers, to make every effort to reduce their military expenditure pending the conclusion of such an agreement. That would enable them forthwith to play a greater part in financing SUNFED. At the same time, the Romanian delegation joined the USSR delegation in stating that the establishment of SUNFED must not be made in any way conditional upon disarmament.

7. The executive board of SUNFED should consist of an equal number of representatives of the under-developed countries and of the industrialized countries, so as to guarantee the fair settlement of all problems. Making SUNFED an independent organ, separate from the other financial agencies of the United Nations, would ensure that its loans would have no commercial or political strings attached. The main task of SUNFED should be to grant long-term low-interest loans, the rate of interest in no case to be greater than half that charged by the International Bank for Reconstruction and Development. In order to give the greatest possible number of States access to the new agency, the essential task of which would be to promote the economic development and, above all, the industrialization of the under-developed countries, contributions should be payable in national currency, capital goods or services.

8. The Romanian delegation would vote in favour of the joint draft resolution (A/C.2/L.315), the purpose of which was to hasten the establishment of SUNFED.

9. Sir Alec RANDALL (United Kingdom) was glad that the Committee's debate on the item under discussion had been concentrated on a specific and concrete issue. He paid a tribute to the representative of Iraq, who had made a moderate and closely argued statement during the first meeting on the item (409th meeting).

10. The main point was whether the major potential contributors were willing or not to take immediate steps which would commit them to the acceptance of statutes for SUNFED which later developments might easily make inapplicable. In the minds of most representatives, the major potential contributors were the United States and, to a lesser extent, the United Kingdom. Everyone had recognized that the success of SUNFED must depend upon the participation of the United States. The representative of the Soviet Union, itself a major potential contributor, had made the participation of his country conditional on the participation of other major industrialized countries.

11. He wished to explain the attitude of the major potential contributors, since their motives had been to some extent impugned or misrepresented. In 1953, the United States and the United Kingdom had voted for General Assembly resolution 724 A (VIII) whereby they undertook to ask their peoples, after sufficient progress had been made in internationally supervised world-wide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund within the framework of the United Nations, to assist development and reconstruction in under-developed countries. Both countries continued to adhere to that undertaking, but both continued to insist on the condition that a substantial measure of disarmament should have been achieved. It had been suggested that the condition was used as a pretext to give the two Governments an excuse to evade their undertaking. The representative of Iran had pointed out that the \$250 million generally accepted as the initial capital of SUNFED represented no more than 0.25 per cent of total world expenditure on armaments. He himself had no doubt that that was true, but he felt that it was a superficial argument which missed the main point. When the United Kingdom Government said that it could not ask the British people at the present time to devote money to SUNFED, it was because it knew that it would have very little chance of obtaining the necessary consent. He was sure that the Government of the United States would have very little chance of persuading Congress to agree to contribute to SUNFED until the international political climate substantially improved. One of the essential signs of improvement would be international disarmament.

12. The position of the United Kingdom was somewhat different. The United Kingdom Government also insisted on disarmament as a pre-condition of its participation in SUNFED, but its reasons were more economic in origin. The fact was that the United Kingdom economy had been stretched to the limit for many years. The United Kingdom had more overseas commitments than it could really afford, a good part of them for economic development. It had undertaken them willingly and had no complaint to make, but they were honourable commitments which it would certainly not repudiate. In order to fulfil them the United Kingdom citizen was taxed at a higher rate than the citizen of any other country in the world. If, therefore, any savings could be achieved in the general expenditure of the Government, including any moderate reduction in defence expenditure, the United Kingdom Government would feel obliged to use those savings either to increase expenditure on existing programmes which were desperately in need of more funds or to alleviate the crushing burden on the individual United Kingdom taxpayer according to whose will the Government would

stand or fall. The latter was the political element in the affair, which no parliamentary democracy could ignore.

13. All the assistance programmes outside the United Nations added up to a sizable effort to promote economic development. If they could not bring about sufficient improvement in living standards to contribute to a relaxation of world tension, it was doubtful whether SUNFED could do so. The argument that economic development would remove the need for defence expenditure might appear plausible to some, but as applied to SUNFED it did not bear examination. The truth was that economic development must go hand-in-hand with security. There was no hope of the former without the latter, and all the major contributing countries of the West were doing all that they could to promote both.

14. The Polish representative had maintained that the existing programmes—that was to say, the bilateral or multilateral aid programmes outside the United Nations—were motivated by political reasons. In fact, they were freely negotiated between donor and recipient countries. He insisted on the word “negotiated”; the programmes were not, as the Polish representative had suggested, unilateral, by which he probably meant to imply imposed, programmes. In negotiation, political considerations were naturally taken into account. Both donor and recipient countries had their own interests at heart, and those interests were, by and large, political as well as economic. He failed to understand how that could be regarded as reprehensible. The implication was that a freely negotiated treaty of bilateral aid registered with the United Nations, as was invariably the case, was a bad thing—an indefensible proposition.

15. Nor could it be seriously suggested that in future the United Kingdom should hand over to the United Nations the economic responsibilities it had undertaken for the territories to which it was giving aid, and for whose international relations it was responsible. Not only was the United Nations in no position to assume such responsibilities, but the territories themselves would certainly object most strongly. If, for example, the question arose whether the United Kingdom should contribute an additional 10 million pounds to SUNFED or a similar amount to the Colombo Plan, which would the countries participating in the latter prefer? That was the consideration to be taken into account whenever the proposition arose that aid at present given bilaterally or multilaterally outside the United Nations should in future be channelled through the Organization.

16. The United Kingdom was not in an economic position to undertake continuing responsibilities of the magnitude it took to be implied in SUNFED unless substantial additional capital became available. That did not seem to be possible except through either international disarmament or the abandonment of some of its existing commitments. As the United Kingdom was not prepared to contemplate the second alternative, it was left only with the first. Unless the United Kingdom maintained that attitude it would risk its economic stability and its very capacity to export capital, which would not only be an action of international irresponsibility but would do enormous damage to the cause of development everywhere.

17. Turning to the draft resolution before the Committee, he said he had little to add to the arguments already put with such cogency by the delegations of Australia, Belgium, Italy, the United States and New

Zealand. The representative of France had said that he could not understand why, when the principle of SUNFED was accepted, there should be continued delay in defining the statute for its operation.

18. In his view, there could surely be no need to draw up a statute until the requisite support for SUNFED was clearly forthcoming. The cases of the International Atomic Energy Agency and the International Finance Corporation constituted excellent examples of the way in which, once there was general agreement to establish a new agency, the negotiation of its statutes could be achieved in a relatively short time. Again, it seemed to the United Kingdom delegation that to draw up a statute without waiting for the participation of all the major contributors would be a waste of time. For one thing, there was the question of the basic principles or conditions on which SUNFED would operate. As the representative of France had suggested, the authorities responsible for SUNFED could not make grants without due regard to sound administration. Talk of SUNFED's resources being entirely free from conditions was thus quite unrealistic. If the Committee was to be realistic, it must be recognized that major contributors, whoever they might be, when they decided to participate in any such organization, might fairly stipulate certain conditions. Moreover, the attitude of such countries was likely to carry particular weight in the negotiations leading to the drawing up of the basic conditions. It was therefore absolutely essential to have the participation of such countries beforehand, otherwise the text evolved would as likely as not have to be drastically amended and the whole operation would prove a complete waste of time.

19. On the other hand, the full validity of the argument put forward by the representatives of Australia and Italy should be acknowledged: there were very substantial differences in the points of view of various Governments on the basic features of the proposed fund. He had read and re-read the interim report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2), an excellent and instructive document. He had found that on hardly any practical aspect of the proposed fund was there any consensus of opinion among Governments. On the one hand, experts and several Governments insisted on the close co-operation of SUNFED with the Bank; against that, the Soviet Union was definitely opposed to such co-operation. Was SUNFED to give grants or make loans, assist development or provide for infrastructure? Were contributions to be in convertible currency or in kind? On all those points replies were completely at variance. He would ask seriously if that jumble of contrary views on fundamentals was, as the representative of Poland had contended, a suitable basis on which to draft statutes.

20. He wished to emphasize, however, that his delegation's attitude was not purely negative. On the contrary, the mere fact that the *Ad Hoc* Committee's interim report recorded such obstacles to further progress seemed to him a challenge. His delegation agreed that the Assembly might require the *Ad Hoc* Committee to explore the possibility of resolving some of the differences he had mentioned, as along those lines there might be a chance of achieving in the Committee that unity of view which had been so often stated as indispensable in such an important matter. There was certainly no hope of progress if, by forcing through resolutions, the Committee put one category of countries on one side of the fence and most of the major contributors on the other.

21. U PE KIN (Burma), pointing out that forty-six Governments had indicated their views on the establishment of SUNFED, said that there had been some grounds for optimism at the opening of the session. Since that time, however, a less optimistic note had slipped into the debate. The United States delegation, in particular, had indicated that its Government was unable to assume a long-term commitment in view of present uncertainties. The very existence of such uncertainties should encourage the United Nations to establish SUNFED rather than delay its establishment, as the democratic world would find in it an exemplification of faith, courage and compassion, qualities sorely needed at the present time.

22. The idea of SUNFED was almost as old as the United Nations itself. Its purpose had been admirably stated by Mr. Raymond Scheyven in his report to the ninth session of the General Assembly (A/2728); hence little need be added. The stage of analysis and reporting was past: the time had come for a political decision on the part of those Member States whose contributions were to determine whether SUNFED would come into being or not.

23. In the past such a decision had been publicly tied to possible measures of disarmament. That tie seemed less strong, because the progress achieved in the field of nuclear energy had demonstrated the fact that the armaments race could only lead to disaster. The joint draft resolution was essentially based on that situation. It recorded the hope for final action at the twelfth session of the General Assembly. Clearly the realization of that hope would depend on the participation of the technologically advanced nations.

24. Burma had been one of the first and strongest supporters of SUNFED. In its view, the establishment of SUNFED would round off the excellent system of organs established by the United Nations: on the one hand, the International Bank for Reconstruction and Development, the International Monetary Fund, the International Finance Corporation, providing the stabilizing capital for productive enterprises; on the other the Technical Assistance Board, the Technical Assistance Administration, the specialized agencies and the United Nations Children's Fund, which were making such valuable contributions to raising standards of living in the under-developed areas of the world. The Special United Nations Fund for Economic Development would be in a way the keystone of that edifice. The United Nations should not lose the opportunity of completing its work, which was without precedent in history.

25. Mr. KENNEDY (Ireland) recalled that during the general debate his delegation, realizing that the development of the under-developed countries had become one of the great issues of the twentieth century, had confined its attention exclusively to the problems raised by the proposed establishment of SUNFED. The fundamental dignity of the human person could not allow a situation to continue in which the greater part of mankind was condemned to live in poverty. His delegation firmly believed that the unequal distribution of the fruits of the earth carried within itself the seeds of social unrest and political insecurity which it was the duty of the United Nations to alleviate.

26. With regard to the joint draft resolution, his delegation fully understood the hopes of the under-developed countries which were eager for an early decision on the establishment of SUNFED, for almost within living memory Ireland had known the penalties of

imposed under-development in the form of widespread famine and mass emigration. It was because his delegation was profoundly convinced of the importance of the task which lay ahead that it would advise against hasty action. The natural desire to achieve concrete results without delay could carry with it a penalty of frustration which might seriously harm the whole basis of SUNFED. For that reason, it would be wise to reconsider very carefully the paragraph in the draft resolution which requested the *Ad Hoc* Committee to prepare a draft statute.

27. In that connexion there were three points to be taken into account. First, there was a lack of agreement between Member States on the general lines which SUNFED should follow. A good deal of further preparatory work would presumably be necessary before the *Ad Hoc* Committee was in a position to draw up a draft statute of practical utility. Among matters which needed further examination were the criteria which should be adopted in deciding the proportionate share of contributions to SUNFED, the considerations that would have to be adopted by the executive board in making advances, and the relationship between SUNFED and the specialized agencies, and between SUNFED and the United Nations itself. As the United States representative had pointed out, it would be neither time-consuming nor difficult to establish SUNFED once there was basic agreement on fundamental issues.

28. His delegation had already pointed out that it would be very useful for the *Ad Hoc* Committee to have a clear idea of the amount which Member States would be prepared to contribute to SUNFED. Some Governments, including that of France, had already announced their contributions. It was of vital importance, however, to know whether anything even approximating to the basic \$250 million would be forthcoming. He would accordingly suggest the inclusion in the draft resolution of a new paragraph requesting the *Ad Hoc* Committee to continue its inquiries on that subject. It would be particularly useful to ask Governments to indicate not only the amount but the nature of their contributions. His delegation would support any resolution which would enable the *Ad Hoc* Committee to prepare for drafting the statute in a practical manner as just indicated, but it would advise against drafting the statute at the present stage.

29. Secondly, the practical economic difficulties which many Governments, including that of Ireland, would have in committing themselves to participating in SUNFED at once must be taken into account. The whole concept of SUNFED posed a real problem to many industrialized countries: necessary defence expenditure and the demands of full employment and social welfare policies consumed so large a proportion of the gross national product that adequate savings were simply not available for external investment. The issue would become more serious if SUNFED were to be replenished by contributions renewed annually or at frequent intervals. That would mean that participation would constitute a serious and continuing financial drain on the resources of the developed industrial countries.

30. It was also probable that countries participating in SUNFED would have to make adjustments in their aid programmes. It might well be that many under-developed countries would prefer to continue to receive bilateral aid rather than multilateral contributions through SUNFED. That was a concrete problem which

the *Ad Hoc* Committee should study before embarking on the drafting of a statute. It would be useful, as the United Kingdom representative had suggested, to have the views of the Colombo Plan countries on that issue. It would also be useful to know whether countries which were now in a position to indicate their contributions to SUNFED would have to reduce the bilateral aid they were making available. He put forward those suggestions not to increase the work of the *Ad Hoc* Committee but in a sincere attempt to provide it with the kind of useful tasks that would advance the cause which all members of the Committee had at heart.

31. Thirdly, there was the consideration of disarmament. His delegation was profoundly convinced of the necessary connexion between progress in the field of disarmament and support for SUNFED. The work of the Disarmament Commission and its Sub-Committee showed that the United Nations had recognized at an early stage the close connexion between disarmament and economic development. In that connexion, he recalled the statement of the United States representative that his Government was not prepared to assume a long-term commitment to participate in SUNFED in the light of the current unsettled international situation. In the circumstances, it would be unwise to draw up the statute of SUNFED at the present stage. He hoped that at some future date the United States Government might be able to assume a long-term commitment to participate in SUNFED; but he pointed out that a draft statute drawn up at the present stage might contain clauses which would make it more difficult for the United States Government to obtain the full approval of Congress and public opinion when the time came.

32. In view of all those circumstances his delegation could not support the joint draft resolution, because it was most anxious to avoid a false start. Just as other organs of the United Nations were struggling and searching for a way to chain the destructive forces of armaments and atomic power, so the Second Committee was slowly striving to break the chains of poverty and want. Only by going forward together towards that goal, without undue haste and with the co-operation of those countries which could give as well as of those in need, could the United Nations face the stupendous task which lay ahead.

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

33. Mr. TODOROV (Bulgaria) said that the establishment of SUNFED, which his delegation ardently supported, was a problem that must be speedily and satisfactorily solved.

34. The Special United Nations Fund for Economic Development should under no circumstances interfere in the domestic affairs of the countries it aided. The assistance furnished should not be limited to infrastructural projects, but should be based on the national economic development plans of the countries concerned. In order to enable as many countries as possible to participate, contributors should be allowed to make their contributions in local currency and in kind. The Special United Nations Fund for Economic Development should be an independent organ within the framework of the United Nations and should start operations as soon as possible, if necessary with an initial capital of less than \$250 million and without waiting for the conclusion of an international disarmament agreement.

35. As the question had been studied in detail for a number of years and a majority of Governments had

voiced their opinions on the subject, the stage at which a draft statute could be prepared would appear to have been reached. The proposal to that effect in the joint draft resolution was, in his delegation's view, timely.

36. He could not understand the attitude of the few delegations which opposed the concrete measures proposed with a view to securing the rapid drafting of a statute and the establishment of SUNFED. Their arguments were not convincing. Some delegations had stated that their Governments would not make contributions to SUNFED and would not take part in the drafting of a statute. Their refusal was, to say the least, strange. The argument that SUNFED should not be set up until an international agreement on disarmament had been concluded was equally unfounded. Of course, more substantial contributions would be made to SUNFED after such an agreement had been reached; but as the representative of Iran had pointed out sufficient initial capital would be available if only 0.25 per cent of the sums devoted to armaments was allocated to SUNFED. Instead of linking its establishment with disarmament, the fact should be stressed that economic development and, therefore, the assistance necessary to bring it about, would contribute to the general welfare and thereby to the realization of an agreement on disarmament. Some delegations had expressed the view that the proposal by an overwhelming majority of the Committee that statutes should be drafted immediately with a view to the early establishment of SUNFED was an attempt to bring pressure to bear on other countries. That view was, he believed, incorrect. The proposal was in fact merely an expression of the sincere desire of the under-developed countries to improve the well-being of their peoples. It would be more justified to consider as pressure the way in which some delegations opposed the concrete steps to start work on the draft statute.

37. His delegation would vote in favour of the joint draft resolution because it believed that the drafting of a statute for SUNFED was not only timely but imperative.

38. Miss BOWLBY (Canada) said that the Canadian Government's position with regard to SUNFED had been described on numerous occasions, notably in its reply to the United Nations questionnaire (A/AL.83/L.1/Add.4). In that reply the Canadian Government had stated that it had in the past supported a special fund in principle but had opposed its immediate establishment; its final decision regarding a fund of the type under consideration would depend in large measure on whether the organizational and administrative arrangements were such as to lead to efficient operation and whether the fund would command sufficient support to enable it to operate effectively. There was nothing to add to that statement at the present time.

39. The Canadian delegation could not support any resolution calling for the drafting of statutes. Her delegation had been impressed by the honest and forthright statement made at the 430th meeting by Mr. Hoffman on behalf of the United States delegation. She believed that it would be a great mistake to contemplate the drafting of statutes for SUNFED if it was likely that major contributors would not be able to participate in that work. It had been suggested that participation in the drafting of statutes did not necessarily carry with it a commitment to contribute financially to the future body. The Canadian delegation did not believe that it would be useful to draft statutes without prior agreement that SUNFED should be established. If statutes

were prepared without taking into account the views of potential major contributors, they would have to be re-negotiated, perhaps completely, if and when such major contributors decided to participate. They might easily be unacceptable to such countries and make eventual participation by them less likely.

40. All delegations which had participated in the negotiations preceding the establishment of the major United Nations organs would agree that the time to discuss and negotiate difficult problems was during the preparation, and not after the publication of even a preliminary text, of statutes. Without the participation of representatives of all important points of view and without agreement in advance on some basic principles, the drafting of statutes for a genuinely multilateral United Nations aid fund would be a very difficult undertaking. It could seriously damage whatever prospects might exist for the establishment of SUNFED.

41. There was an even more important reason for not drawing up the statutes for SUNFED immediately. In the *Ad Hoc* Committee, in whose work the Canadian delegation had actively participated, the differences of opinion had been so serious and so numerous that it had been difficult for the Committee to carry out its mandate and to draft any conclusions on the basis of the replies of Governments. In that connexion, she drew the Committee's attention to the conclusions in part III of the *Ad Hoc* Committee's report. In view of the qualified wording of those conclusions, the Canadian delegation was unable to share the belief of certain delegations that the *Ad Hoc* Committee's report represented a sufficiently advanced basis of agreement from which to proceed at once to the drafting of statutes.

42. Turning to some of the contradictions in the proposed scheme, she said that one such contradiction, mentioned by the United States representative, was inherent in the conception of a fund that would finance economic and social infrastructure projects and possibly even broader development programmes on the basis of an initial sum of approximately \$200 million to \$250 million. As the Canadian representative to the *Ad Hoc* Committee had remarked, it seemed more likely that even if some sort of special United Nations fund were set up, bilateral aid programmes would not disappear but would indeed, for many years to come, be the largest source of aid for the under-developed countries.

43. The Canadian delegation had been impressed by the statement concerning the establishment of a world food reserve which the Director-General of the Food and Agriculture Organization of the United Nations had made at the 421st meeting, in which connexion he had observed that fully international activities were not exclusive but ran alongside separate, and in some cases much larger, bilateral programmes.

44. A fund of \$200 million to \$250 million would have to restrict its activities regionally or functionally. Neither of those questions, particularly that of the distribution of SUNFED's resources, whatever their amount, had been fully explored in the *Ad Hoc* Committee. Draft statutes could hardly be prepared without some agreement on those general points.

45. Another serious difficulty which had emerged during the discussions in the *Ad Hoc* Committee related to the type of contributions to be made to SUNFED. According to the majority of the replies of Governments, SUNFED would be expected to be extremely flexible and to undertake a wide variety of projects. The Canadian delegation had studied and appreciated

the urgency and immensity of the problems facing the under-developed countries. It was difficult to see how SUNFED could achieve its objectives if contributions were to be made in an unsuitable form or were not capable of conversion for implementation of the projects selected by the under-developed countries.

46. The problems mentioned were only a few illustrations of the very serious difficulties which would face any body which attempted to draft statutes on the very limited basis of agreement which now existed concerning the operational and administrative organization of SUNFED. The Canadian delegation was therefore of the opinion that it would be better for the *Ad Hoc* Committee to continue its investigation of questions of principle and of problems connected with the establishment of SUNFED. Such an investigation could result in a clearer understanding of the issues involved and consequently in a more satisfactory discussion of the SUNFED proposal at future sessions of the Economic and Social Council and of the General Assembly.

47. Her remarks concerning the drafting of statutes applied equally to the preparation of an operational programme. Even more unfortunate than drafting statutes for a fund which did not come into existence would be the situation created if the Governments of the less developed countries were encouraged to submit lists of projects only to find that none of them could be implemented because of lack of agreement on the organization of SUNFED or because of a lack of funds.

48. The representative of Poland had suggested that the question of SUNFED was essentially political and not financial. The Canadian delegation recognized the political elements involved. The question was whether both donors and beneficiaries were prepared to conduct their programmes of economic assistance multilaterally through the United Nations rather than bilaterally. That was an issue which all Governments, including donors and beneficiaries, would want to consider carefully.

49. The Canadian delegation therefore hoped that the draft resolution before the Committee could be modified to provide for further useful investigation and a better understanding of the question of SUNFED on a basis of co-operation between all the countries concerned.

50. Mr. LARREA (Ecuador) said that his delegation had expressed the view in the general debate that the establishment of SUNFED would enable the under-developed countries to proceed more actively with infrastructural projects—a field in which private investment was virtually non-existent and public investment was frequently inadequate. The replies transmitted by Governments to the Secretary-General and analysed by the *Ad Hoc* Committee in its interim report indicated the wide range of projects which SUNFED could help to finance, in addition to infrastructural projects properly so called, immigration and colonization programmes, surveys of natural resources, the establishment of laboratories, et cetera. Preference should however be given to projects forming part of integrated development programmes. Moreover, SUNFED should not be used solely to assist non-self-liquidating projects. It should also be used, where appropriate, to carry out self-liquidating projects for which the necessary capital was not available in the country concerned.

51. There was another point which his delegation wished to stress: SUNFED should be expressly authorized to finance local currency costs, as well as foreign currency costs, if the beneficiary country was unable to do so itself without risk of inflation. It should

be explicitly stated in the statute that SUNFED should only be used to finance projects which directly promoted the development of the under-developed countries.

52. With regard to contributions, his delegation considered that ideally contributions would be established in the light of the economic position of the individual contributing country, taking into account *per capita* income, the size of reserves, et cetera. As such a system was hardly feasible, a system of periodic voluntary contributions would have to be adopted. However, the statute of SUNFED should clearly define the considerations to be taken into account in determining the economic potential of the various countries and should indicate the amount expected from each, although the amount indicated should not be binding. If countries were able to pledge contributions for a period of several years, it would be easier for SUNFED to plan its operations on a sound basis. It would also be helpful if States agreed to make an initial capital subscription larger than the periodical contributions they undertook to make later; that would not prevent them from increasing their contributions if the international situation improved, for example in the event of a general disarmament agreement. That suggestion naturally implied that at least part of the resources of SUNFED would have to be invested in the commercial sector and not disbursed as grants-in-aid.

53. It appeared inevitable that contributions would have to be accepted in local currency which would be convertible only with the consent of the country concerned. Arrangements would therefore have to be evolved to avoid undue immobilization of funds. In that connexion Economic and Social Council resolution 623 B III (XXII) indicated the lines that might be followed.

54. The members of the Committee, following the Committee of Nine, appeared tacitly to have agreed on an initial capital of \$250 million. In view of the scale and the range of the needs SUNFED would be called upon to meet, any figure was bound to be arbitrary, and if it proved impossible to obtain the desired amount that fact should not be allowed to prevent the establishment of SUNFED. The important thing was to establish SUNFED with the minimum amount of capital consistent with sound management. While it was true that the scale of operations would depend on the resources at the disposal of SUNFED, it was equally true that it would be much easier to obtain contributions when its operations had begun to bear fruit.

55. His delegation did not believe that it would be wise to make a hard and fast ruling on the question whether assistance should take the form of loans or grants-in-aid. The widest discretion should be given to the executive board, which would base its decisions on the nature of the projects to be financed. Loans would ensure the replenishment of resources and would, of course, enable SUNFED progressively to expand its operations. The executive board should be empowered to make loans on the same terms as the Bank, or on much more liberal terms. Once established, such terms would not be subject to change save in exceptional cases. The statute should not, however, preclude the subsequent adoption by SUNFED, if it saw fit, of methods not hitherto envisaged or accepted, such as the possibility of combining Bank loans with grants-in-aid.

56. The Special United Nations Fund for Economic Development should be an autonomous body within the framework of the United Nations. Its statute should

guarantee it the necessary independence and at the same time provide for the necessary co-ordination with the other United Nations agencies and with the Secretariat.

57. He would not try the Committee's patience by dealing at greater length with the question of the methods of operation of SUNFED, but he had felt it necessary to review some of the more important aspects in view of the fact that the Committee was about to take a decision on the joint draft resolution.

58. In view of the important role SUNFED might play, it was astonishing that so laudable a proposal had not gained unanimous support and that all sorts of obstacles, which were in fact artificial, had been invoked to delay it. There could be no doubt that the operations of SUNFED would benefit all countries, and not only those which received loans or grants. An individual consumer's capacity and needs increased with his income and the same was true of nations. An improved level of living in one region therefore invariably helped to increase prosperity in others. It was because his delegation was deeply convinced of that fact that it was a co-sponsor of the joint draft resolution.

59. The draft resolution sought only to broaden the terms of reference of the *Ad Hoc* Committee in order to enable it to prepare a draft statute; it did not imply that the establishment of SUNFED was already decided upon, or that the statute would be binding. The intention, for the time being, was to determine more precisely the opinions of the various Governments and to supply the twelfth session of the General Assembly with more concrete information on which to base a decision.

60. The delegations opposed to the adoption of the draft resolution apparently feared that it would awaken hopes that might not be fulfilled; in fact, failure to adopt it would cause serious disappointment in the under-developed countries and might undermine their faith in the United Nations.

61. It had also been argued that the divergence of views among Governments proved that the time was not ripe for the establishment of SUNFED. However, one of the functions of the *Ad Hoc* Committee would be to approach Governments again in an effort to obtain a broader area of agreement.

62. It had been suggested outside the Committee that SUNFED might compete with private banks and the United Nations financial agencies. There was no basis for that fear. Private capital would continue to be invested in enterprises that were more profitable than infrastructural projects, the Bank would continue to seek safe investment opportunities and SUNFED, far

from competing, would facilitate their work by strengthening the economies of the countries in which they operated.

63. The fear had also been expressed that the establishment of SUNFED might injure the economies of the highly-industrialized countries, in particular the United States of America, which might find itself burdened with additional expenditure which its people would be unwilling to accept. He doubted if there was any country or any group of citizens in the western world which would wish to weaken the economy of the United States, on whose prosperity their own well-being depended. No one wished to impose upon the United States a burden which it was not in a position to assume. The Iranian representative had recently shown that 0.25 per cent of the defence appropriations of the United States, France and Great Britain would be sufficient to finance SUNFED. Accordingly, its establishment would not endanger the defence of those countries, whereas it would bring enormous benefits to the under-developed countries.

64. Citing statements from United States sources, he referred to the statement in support of the establishment of a fund for international assistance issued on 30 January 1957 by the Commission of the Churches on International Affairs over the signature of Mr. O. Frederick Nolde, Director, and Mr. Richard M. Fagley, Executive Secretary of the Commission. He also quoted long extracts from the recent detailed study of the world economy entitled "A proposal for a new United States Foreign Economic Policy", by Mr. Max F. Millikan and Mr. W. W. Rostow of the Massachusetts Institute of Technology, and drew attention to the fact that the authors, who recommended that the United States Government should increase its financial assistance for economic development to nearly \$2,000 million, regarded that sum as insignificant in comparison with the cost of even a limited war of the kind into which the United States might be drawn if it had to cope with dangerous situations such as those which had arisen in South Korea and Indo-China.

65. For his part, he did not believe there was any hope of collecting thousands of millions of dollars if it was so difficult to establish a fund of \$250 million. It was reasonable to hope, however, that the highly industrialized countries would not maintain their opposition to the joint draft resolution which, he emphasized, was not designed to establish SUNFED immediately but merely to supplement the studies that had been undertaken on the subject.

The meeting rose at 5.20 p.m.