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Chairman: Mr. Mohammad MIR KHAN (Pakistan).
 LUCHOWSKI

AGENDA ITEM 27

**Economic development of under-developed coun-
 tries (A/3154, A/3192) *(continued)*:**

- (a) **Question of the establishment of a Special
 United Nations Fund for Economic Develop-
 ment: report of the *Ad Hoc* Committee (A/
 3134 and Corr.1 and 2);**
- (b) **International tax problems: report of the
 Economic and Social Council;**
- (c) **Industrialization of under-developed countries**

GENERAL DEBATE *(continued)*

1. Mr. KAMENOV (Bulgaria) said that, from the point of view of economic development, countries could be roughly divided into three groups: the highly industrialized countries with capitalist economies, the countries with socialist economies, and the under-developed countries.

2. Countries in the first group had undoubtedly maintained their industrial growth during recent years, but their economies were unhealthy in a number of respects. Development was uneven in the various sectors, military expenditure was a heavy burden, and unemployment was still prevalent.

3. In the socialist countries, economic development during recent years had been marked by a rapid and continuous increase in production, a rise in the productivity of labour and a steady improvement in levels of living. Planning had ensured the balanced development of all sectors. The most important country in the socialist group, the Soviet Union, occupied the first place in Europe and the second in the world from the economic point of view.

4. In the third group of countries the level of development was very low indeed and, as the *World Economic Survey, 1955* (E/2864) pointed out, the gap between them and the advanced countries continued to grow. Statistics relating to *per capita* income, illiteracy and health, published in the *United Nations Statistical Year-*

book, 1955, gave a vivid picture of the disparities which originated not from racial or geographical causes but from purely historical ones. It was most striking that the majority of the highly developed countries were colonial or ex-colonial Powers which for centuries had exploited millions of subject peoples. Similarly, the majority of the under-developed countries were former colonies which as a result of the "civilizing" influence of the colonialists had remained at an extremely low level of economic, social and cultural development.

5. The United Nations could not remain indifferent to their plight. Indeed, as could be seen from the discussions on the establishment of a Special United Nations Fund for Economic Development (SUNFED) and from the technical assistance programmes, the United Nations had already been actively working for years in their behalf. The Charter of the United Nations very clearly conferred upon the Organization the task of promoting the economic and social advancement of all peoples. Article 55, in particular, emphasized the connexion between economic development and world peace.

6. Moreover, in the present world situation no country could remain in economic isolation. Increased production in the under-developed countries would benefit all countries including the more advanced ones. The United Nations should therefore find a way of increasing still further the economic aid given to the under-developed countries. In that respect, the proposal to establish SUNFED was fully justified and had the whole-hearted support of the Bulgarian delegation. The idea was gaining ground and was supported by the great majority of Member States. It was now time to consider how it could be put into practice.

7. Certain basic principles should be borne in mind. The Special United Nations Fund for Economic Development should be established according to the spirit of Articles 2, 55 and 56 of the Charter. The sovereignty of each country should be strictly respected. Interference by one country in the internal affairs of another under the guise of assistance should be precluded. No political or other conditions should be imposed which could in the slightest degree impair the political and economic independence of the recipient countries. The Special United Nations Fund for Economic Development should be used to promote the full economic development of the civilian economy in the under-developed countries and should concentrate on their industrialization.

8. The Special United Nations Fund for Economic Development should be made up of voluntary contributions, in national currencies or in kind, and should be open to all countries. The best use should be made of all contributions, in whatever form they were made, so as to ensure the largest possible participation. There should be no restrictions which might impede the expansion of SUNFED or dissuade potential contributors.

9. His delegation fully supported the idea that SUNFED should be supplemented by savings achieved

through disarmament. At the same time it felt that the needs of the under-developed countries were so urgent that the establishment of SUNFED should not be made contingent upon the conclusion of a general disarmament agreement. It was, of course, desirable that SUNFED should have substantial resources from the outset. The sum of \$250 million, mentioned in several proposals, might enable work to be started on a reasonably large scale. If that was not immediately possible, it should nevertheless be decided to establish SUNFED, even with a smaller amount.

10. As the needs were great and the resources of SUNFED would be quickly exhausted if made available in the form of grants, assistance should take the form of long-term low-interest or even non-interest-bearing loans. Grants should be made only in very exceptional cases, as for example in the event of a national catastrophe. In providing assistance, national economic development programmes should be taken into account.

11. The Special United Nations Fund for Economic Development should be organized as an independent body within the framework of the United Nations. It should have its own general assembly, consisting of all participating States, contributors and recipients alike. Its governing body should be elected by the general assembly on the basis of equitable geographical distribution and should consist of an equal number of contributors and recipients. Its director should also be elected by the general assembly.

12. The Special United Nations Fund for Economic Development would be an effective means of promoting industrialization in the under-developed countries. Without its own national industry, no country could be economically, and hence politically, independent. Yet SUNFED alone could not ensure the industrialization of the under-developed countries. Rapid economic development was not possible unless national resources were mobilized and national economic development programmes were carried out. The future development of international trade could play a very useful part in that connexion.

13. As private investors were motivated by the desire to extract the maximum profit, private capital often acted contrary to the interests of the countries in which it was invested. As the Colombian representative had remarked, private capital gravitated mainly to the petroleum industry and mining; its contribution to industrialization was small, since it looked for quick and easy profits in the light industries and neglected heavy industry, the foundation of industrial development.

14. The situation was aggravated by the fact that capital-exporting countries used the power they derived from their investments to intervene in the domestic affairs of other countries. Private capital would, however, be acceptable, if the recipient country was not subjected to political or economic conditions affecting its independence.

15. Since a thorough discussion of the development of international trade and the economic development of under-developed countries would facilitate the solution of the problems under discussion, he supported the USSR proposal (589th plenary meeting) that a world economic conference should be convened.

16. Bulgaria, which in recent times had been an under-developed and backward country and the victim of exploitation by foreign capital, sympathized with the under-developed countries in their efforts to strengthen

their economic and political independence, and would fully support all efforts to promote that objective.

17. Mr. ACOSTA (Paraguay) said that Paraguay, like many other Latin American countries, was a producer of raw materials, which were exported to the United States, Europe and the River Plate area.

18. In recent years, Paraguay had taken successful steps to facilitate and expand its trade with neighbouring countries and other continents. One main objective of Paraguay's foreign policy was the fullest possible development of trade with neighbouring countries with a view to promoting regional economic integration. To that end, Paraguay had concluded trade agreements with Brazil, Argentina, Chile, Bolivia and other countries with a view to expanding its trade and achieving a higher *per capita* income for its population. In accordance with its trade policy, Paraguay was exporting livestock regularly to Brazil and frozen meat to Chile. Under an agreement of 12 November 1956, certain difficulties relating to payments with Argentina had been eliminated. A free frontier zone had been established by agreement with Bolivia, which would ensure a greater volume of trade.

19. His Government considered the development of new communications to be of primary importance to inter-regional trade. An international highway to Brazil was to be completed in June 1957 and, in addition to other advantages, would increase the number of tourists visiting Paraguay.

20. Paraguay enjoyed the co-operation of neighbouring countries and received technical assistance from the United Nations. Foreign capital and international financial assistance were necessary to its economic development. Adequate capital investment for the exploitation of its natural resources was of vital importance to its economy. Industrialization would have to be effected through the United Nations, under governmental bilateral agreements, or by private enterprise.

21. Paraguay's economic future was bright: it had practically no public debt; its future income from coffee and agriculture was promising. Legislation had been enacted to protect investments. Long-range, low-interest loans were required, not only for official organizations, but also for small businesses. Small and medium industrial enterprises, in particular, needed credit. National production must be expanded in order to bridge the gap between domestic production and imports and to safeguard the balance of payments. There were opportunities for capital investment, especially in the textile, fruit, electrical, transport and food industries. His Government therefore fully supported the industrialization plans sponsored by the United Nations.

22. As it had already explained in the General Assembly, his delegation supported the establishment of SUNFED and reserved the right to make detailed comments at a later stage.

23. Mr. GISCARD D'ESTAING (France) said that the economic development of the under-developed countries was perhaps the most important question on the Committee's agenda. Its solution largely depended on the efforts of those countries themselves, but they must also have help from the industrialized countries. France attached particular importance to the solution of the problem, for it believed that the development of the under-developed countries would be the fundamental task of the next twenty or thirty years.

24. It was sometimes argued that the reason for interest in assistance to the under-developed countries was the donor countries' need to find an outlet for their sur-

plus products, but that was far from being the case. The economic progress of the industrialized countries was increasingly dependent on the expansion of the home market or on the organization of common markets. In a number of contributing countries, such as Great Britain, France and even the USSR, production was now barely sufficient to meet home needs and provide the exports necessary to maintain the balance of payments. Economic assistance was in fact an expenditure of public funds for purposes outside the donor country and, as public opinion in those countries was realizing more and more, the funds could be used at home to further schemes which were postponed for lack of resources. Furthermore, the goods supplied were not surplus products but needed capital goods. Moreover, the assistance given might work to the disadvantage of the donor countries. Thus, the industrialization of the under-developed countries might aggravate the balance of trade problems of the developed countries.

25. Apart from fundamental humanitarian considerations, therefore, the real reasons for the interest in assistance for economic development must be sought elsewhere. In his delegation's view, there were two main reasons. In the first place, the donor countries were aware that a race was in progress between nationalism, excesses of which led to conflicts, and economic development, which presupposed co-operation. On the outcome of that race depended the peace of the world. In the second place, from the point of view of the beneficiary countries, there could be no wise and constructive use of political sovereignty without a minimum of economic and social development. Recent events had shown the folly of sacrificing economic and social development to the acquisition of the military attributes of sovereignty, for military power was ineffective without an adequate economic and technical infrastructure.

26. The interests of donor and beneficiary countries were parallel but, if success were to be achieved, a number of principles would have to be respected. First, assistance to the under-developed countries should obviously not be given in a spirit of political imperialism; there could be no question of substituting paternalism for the tutelage of the past. Multilateralism was the wisest solution; it permitted the most effective use of resources through co-operative arrangements fully respecting the individuality of beneficiary countries.

27. The second principle was that, freed from all fears of tutelage, the under-developed countries must respect international law, which implied acceptance of the interdependence of nations, scrupulous respect for commitments undertaken, and the maintenance of stability in beneficiary countries. Those obligations affected the international community as a whole, and failure to respect them might halt the flow of private capital and encourage the industrialized countries to adopt a policy of national self-sufficiency.

28. The programme called for was undoubtedly ambitious, and the efforts currently being made were manifestly insufficient. The Committee should not, however, be discouraged by that fact. Although it was not within its power to bring about the agreement on disarmament which would release the necessary funds, it could at once prepare and begin to put into effect an appropriate programme.

29. The French delegation believed that the problem must be seen in its true dimensions and that the activities undertaken should be co-ordinated in an over-all plan. It was useless, for instance, to solve problems at

the financial level and to ignore their technical and commercial aspects or their social repercussions. As the Secretary-General had recently pointed out, a deterioration of only 5 per cent in the terms of trade of the under-developed countries would cancel out the benefits derived from the public and private assistance of the industrialized countries. Similarly, technical assistance was not an end in itself but a prelude to further development, which called for equipment beyond the resources of the countries concerned. All the Organization's efforts and activities in the field must be co-ordinated as part of a single, long-term programme.

30. The plan put forward by Mr. Pineau, the French Minister for Foreign Affairs, had been conceived with those objects in mind. Under that plan, specialized functions would be entrusted to four bodies: a "fund"—which might be the Special United Nations Fund for Economic Development—responsible for collecting contributions from Member States and distributing assistance in the manner thought to be the most useful; a trade organization responsible for organizing the marketing of the raw materials of beneficiary countries; a technical institute to help the under-developed countries to develop their economic infrastructure and to facilitate their industrialization; and a statistical office which would enable the fund to keep account of what had been done, or was to be done, for the under-developed countries. development agency affiliated to the United Nations and Those four bodies would form part of a world economic in the administration of which both contributing and beneficiary countries would be associated. The role of the agency would be to ensure that the best use was made of the resources available and that all efforts were co-ordinated.

31. His delegation was not asking the Committee to approve that plan; it was well aware that it could only be put into effect by stages on the basis of what had already been done by the General Assembly. Nevertheless, it was essential to have an over-all plan in mind in considering future action by the General Assembly, and even at the present stage certain problems could be solved.

32. With regard first to the financing of economic development, it was important that the International Bank for Reconstruction and Development should increase its activity in the under-developed countries. Until recently the average annual total of loans granted by the Bank to under-developed countries had been some \$100 million, and the share of some areas—Asia in particular—had been very small. It was gratifying that that state of affairs was changing rapidly. France also hoped that SUNFED would be established as rapidly as possible. In that connexion he would stress the importance of the forms in which assistance was utilized; a project employing foreign personnel and equipment would not be of the same benefit to the country concerned as a project involving the same investment in which the bulk of the funds was spent in the beneficiary country. The budgetary repercussions of major investment programmes must also be considered. Any expansion of a country's schools, hospitals or administrative machinery resulted in an increase in current expenditure which was a heavy burden on the ordinary budget. France would be glad to share the lessons it had learned from its experience in the countries of the French Union.

33. It was also proposed that a balance-sheet should be drawn up of the bilateral, regional or multilateral assistance currently given to the under-developed countries, taking into account the benefit to an under-devel-

oped country or territory of guaranteed markets for its exports or the provision of hard currencies. Such a balance-sheet would make it easier to distribute international assistance as fairly as possible. His delegation hoped in particular that the position of those countries which had hitherto received very little assistance—for the most part countries which did not belong to any political or monetary bloc—would be improved.

34. His delegation looked forward to a continuing extension of the Expanded Programme of Technical Assistance. Beneficiary countries should be allowed the necessary flexibility in selecting the type of assistance they required in the light of their national development plans. One major difficulty was the fact that many under-developed countries lacked the trained personnel necessary to carry on the work of the experts or to profit fully from their instruction. It was also necessary that the analysis of problems of economic development and planning should be continued.

35. The French plan called for the establishment of a technical institute, not a specialized agency in the field of industrialization, because it was felt that such an agency would be ineffective owing to the multiplicity and complexity of the problems involved. From that point of view, it would be better at the present stage to make the fullest use of the services already available through the specialized agencies and the Technical Assistance Administration. The activities of the proposed technical institute might initially be confined to fields, such as electrification, not already covered by United Nations bodies. It might also undertake an inventory of the natural resources of the under-developed countries.

36. With regard to the commercial aspect of economic development, it had been argued that the expansion of trade between the industrialized and the under-developed countries and between the under-developed countries themselves would be sufficient to ensure economic development. While his delegation did not go so far, it believed that every effort should be made to increase the under-developed countries' trade. Europe had first-hand experience of the value of increased regional co-operation, and his delegation felt that the Latin American and Asian countries could derive great benefit from concerted efforts to increase their intra-regional trade. One difficulty was that the countries concerned were not industrialized and their exports were competitive rather

than complementary, but it seemed odd that there should still be so many obstacles to intra-regional trade at a time when inter-regional trade was increasing.

37. In that connexion the under-developed countries would welcome the revision of the General Agreement on Tariffs and Trade (GATT) on lines favourable to their interests. He hoped that the Contracting Parties to GATT would ratify the amendments without delay and become members of the organization for trade co-operation.

38. The principal exports of the under-developed countries were raw materials, and they were naturally anxious that both the volume of trade in raw materials and their prices should be stabilized. The failure, or partial success, of the many attempts that had been made to stabilize primary commodity prices was attributable, in his delegation's view, to the refusal of a certain number of countries to participate in commodity agreements or in the Permanent Advisory Commission on International Commodity Trade. That situation could be rectified. However, the real solution probably lay in the establishment of the trade organization to which he had referred. It would lay certain obligations on, and might even demand certain sacrifices of, purchasing countries; but it would enable producing countries to count on a guaranteed income over a specified period. The project would, of course, involve many difficulties, not the least of them being the fact that the production of raw materials tended to increase faster in the developed than in the under-developed countries. Whatever the difficulties, however, his delegation felt that such a solution would eventually have to be adopted. The only alternative would be for the under-developed countries to use a far higher proportion of their raw materials at home. The policy was a reasonable one, but presupposed that the problem of economic development had been solved.

39. In putting forward those suggestions the French delegation was, of course, thinking of the interests of the under-developed countries; but it also had in mind the interests of the United Nations. His delegation believed that the work of the present session of the General Assembly would be judged by the positive results obtained in seeking a solution of major issues, in particular disarmament and the economic development of the under-developed countries.

The meeting rose at 4.45 p.m.