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Economic development of under-developed countries
(continued):
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Chairman: Mr. Ernest G. CHAUVET (Haiti).

AGENDA ITEM 24

Economic development of under-developed countries (A/2955) (continued):

(a) Question of the establishment of a Special United Nations Fund for Economic Development: report submitted in accordance with resolution 822 (IX) of 11 December 1954 (A/2906, A/C.2/186, A/C.2/L.271) (continued)

1. Mr. TAHON (Belgium) said poverty was one of the world's great forces of disruption and the source of its worst evils. Every means should be used to fight it. It could be fought simultaneously on all fronts. Separate or combined government action, technical assistance, the International Bank for Reconstruction and Development, the projected International Finance Corporation and private capital must all play their part, but none of them would be able to finance, within the framework of the United Nations, projects on which there would be no direct return and which would be designed for the economic and social infrastructure; that would be the task of the Special United Nations Fund for Economic Development (SUNFED).

2. Belgium had agreed in principle to the establishment of a Special Fund, not making it conditional upon disarmament. By so doing, it had demonstrated that in its opinion the economic development of under-developed countries was in itself a factor of general progress and peace.

3. Nevertheless, reality should not be lost sight of. It would be dangerous to exaggerate the importance of the Special Fund, which could only supplement the individual and collective efforts of the recipient countries. As recalled by Mr. Scheyven in his statement (366th meeting) its activities could be effective only on the basis of a stable régime of order, equality and social progress. Furthermore, the Special Fund should finance only projects which could not be financed by any other means.

4. It was for practical reasons that the Belgian Government had made its agreement conditional upon that of thirty countries, and its participation upon that

of the great industrial countries and in particular the United States of America. It would be unreasonable to contemplate establishing the Special Fund in conditions which would not be acceptable to the countries which contributed two-thirds of the budget of the Bank and the Expanded Programme of Technical Assistance. Lastly, he observed that the extent of Belgium's participation would depend on the needs of its domestic market and its responsibilities with regard to its overseas territories.

5. With reference to the report drawn up by Mr. Scheyven and his collaborators (A/2906), he emphasized that a new international bureaucracy should not be established. That could be avoided if close links were created between the Special Fund, the Bank and the other credit institutions, and the Special Fund would thus benefit by the considerable experience acquired by the Bank and those institutions.

6. In order to ensure equitable geographical distribution sufficient initial capital would have to be available which must be adequately renewed. It should be remembered that the nine experts had recommended, not that a Special Fund of \$250 million should be established but that the Special Fund should not be established until that amount was available.

7. With regard to the system of joint financing proposed in the report, it must be borne in mind that the Special Fund would have to work not only with the Bank but also with other credit institutions. There was therefore no danger that the financing of the Special Fund would depend exclusively on the intervention of the Bank.

8. In any event the problems involved could not be solved without the help of the chief industrialized countries. Those countries were apparently prepared to agree to the establishment of the Special Fund only if there were internationally supervised world-wide disarmament. Consequently, while waiting for a change in the situation or in the attitude of those Governments, it seemed to him that there was no other course to adopt but to continue the studies and to keep in view the idea of the Special Fund.

9. Mr. HAYTA (Turkey) associated himself with the tributes paid the authors of the report on the Special Fund and thanked Mr. Scheyven for the statement he had made before the Committee. The report was drawn up on practical lines and the solutions it proposed were more flexible than the previous ones.

10. In his view, the Special Fund should be established without waiting for the conclusion of an agreement on international disarmament. He hoped that in due course his Government would be able to submit detailed comments on the structure and operations of the Special Fund, but he would in the meantime single out certain important points: first, the amount of each country's contribution should be fixed on the basis of its national

income, taking into consideration its obligations in connexion with various programmes; secondly, the Special Fund should give special attention to projects submitted by countries which were doing their utmost to further their own development; lastly, the principle of equal representation on the Executive Board of the Special Fund proposed in the report should be adopted.

11. He hoped that the differences of opinion concerning the date at which the Special Fund should be established would be settled as soon as possible and referred to the moral, political and economic imperatives mentioned in Mr. Scheyven's statement. He hoped that the chief industrialized countries would adopt a more constructive attitude than they had done in the past and would thus encourage the peoples in their unceasing efforts to develop their economies.

12. Mr. HAYS (United States of America) also associated himself with the tributes that had been paid to Mr. Scheyven.

13. It was generally agreed that the world faced a huge task of economic development which must be accomplished as rapidly as possible. Important gains had been made but much still remained to be done. The less developed countries had problems to solve that were the concern of every Member of the United Nations, however heavy its burdens might be. The United States Government, faithful to its traditions and convinced that the needs of one nation were a matter of interest to the whole community of nations, was co-operating and would continue to co-operate to assist other countries to advance their economic development. The total of United States assistance to under-developed countries under various programmes since the Second World War had already exceeded \$6,500 million.

14. With reference to the establishment of a new fund for economic development, President Eisenhower had pledged the support of the United States to this idea when he stated in April 1953 that the United States Government was ready to ask its people to join with all nations in devoting a substantial percentage of the savings achieved by disarmament to a fund for world aid and reconstruction. That pledge was embodied in General Assembly resolution 724 (VIII); President Eisenhower had recalled it in June 1955 at San Francisco and the United States delegation was now reaffirming it before the Committee.

15. The opinion had been expressed that by making the establishment of the Special Fund depend on international disarmament the United States was postponing any significant progress in international co-operation to assist the under-developed countries. The United States Government's position in the matter had been seriously considered and it felt that it would be unwise for the United Nations to launch such an undertaking at the present time. It was true that a huge task of economic development remained to be done, but the demands of defence still called for vast amounts of the world's resources, which obviously meant a heavy burden of taxation and a consequent curtailment or postponement of many desirable economic and social programmes.

16. As a member of Congress, he was in touch with public opinion in the United States and he could assure the Committee that in the present circumstances it would not be feasible to attempt to provide the kind of resources which would be required to make a Special

Fund a success. The United States Government attached importance to public support in connexion with such important questions as the economic development of under-developed countries. Its attitude did not reflect any indifference on the part of the people of the United States to the problems of those countries. That fact was evident from the generous voluntary gifts they had contributed to further the well-being of other peoples, regardless of political considerations and quite apart from the vast amounts raised by taxes for economic assistance abroad.

17. It would be imprudent to establish the Special Fund without the assurance or reasonable prospect that the resources required for that task would be forthcoming. A fund supported only by the small resources which apparently could be made available in the existing circumstances would make little impact upon the formidable problems that had to be solved. A significant part of its resources would go into overhead charges, its main effort would have to be directed towards co-ordination with other programmes. It would, moreover, have to spread itself over many areas, thereby reducing the scope of its activities in each one of them.

18. The United States Government hoped that all Members of the United Nations would co-operate in efforts to bring about international disarmament, in order to release resources which would enable economic development to be accelerated.

19. In the meanwhile, the United States was ready to study new methods and techniques to encourage economic and social progress. The United States Government had on many occasions in the course of the last twelve months given tangible proof of its desire to help the under-developed countries: the instance of the decision to join the International Finance Corporation, the appropriation of \$100 million for a regional fund to promote economic development in Asia, President Eisenhower's proposal to share with other countries the costs of atomic reactors for research, the offer to provide equipment and a research reactor under the Colombo Plan, and the initiative which had given impetus to the idea of an international atomic energy agency and to the International Conference on the Peaceful Uses of Atomic Energy.

20. It was understandable that all who were sensitive to human misery should feel enthusiastic about a proposal aimed at alleviating the sufferings of mankind, but regard must also be paid to existing political and economic conditions. A climate must be created in which the hopes of all nations could be realized. That was the goal which the Government of the United States would continue to pursue.

21. With regard to the draft resolution (A/C.2/L.271) before the Committee, it would be premature at the present stage to define the organization and operation of the Special Fund in any precise manner. There would be time enough to consider that question when the Special Fund had received the necessary support; when that time came, the drafting of the statutes would be unlikely to raise any problems. He was nevertheless anxious to express his appreciation to the sponsors of the draft resolution for having attempted to take into account the different views expressed in regard to the Special Fund. The United States delegation was not able to support the text in its present form, but considered that it might provide

the basis for an agreement. The Committee would have to decide upon three essential questions: first, the amount of detail which would be requested of Governments in their comments; secondly, what kind of *ad hoc* group should be established and, thirdly, what precisely would be the task assigned to that group. The United States delegation would indicate its attitude to those three points at the appropriate time.

22. Finally, while the establishment of a new fund financed by savings from disarmament would help towards the achievement of the humanitarian objective on which all were agreed, it should not be overlooked that the Special Fund was not the only means towards that end. A great deal was already being done both inside and outside the United Nations to help the peoples of the world achieve a better tomorrow.

23. Mr. JUNG (India) warmly congratulated Mr. Scheyven and the group of experts on the report they had prepared. It was a valuable contribution to the consideration of the question of SUNFED. In his view, however, the time was not yet ripe for delegations to put forward their observations on its proposals, and it would be the task of the Governments, Member States of the United Nations and of the specialized agencies to comment on them at the appropriate time.

24. He also expressed his satisfaction at the statement made by Mr. Scheyven at the 366th meeting of the Committee; without agreeing with it on all points, he considered it put different points of view in a balanced perspective.

25. At the ninth session of the General Assembly, when the Committee was considering the appointment of the group, certain delegations had expressed doubts as to the advisability of the undertaking. He hoped that the results obtained would convince the doubters that it was important and fruitful to go on.

26. Coming to the draft resolution, the only matter as regards which there could be fundamental difference between one section of the Committee and the other was the connexion between SUNFED and disarmament. In his view, the linking of those two questions would be unwise from both the financial and the political viewpoints. For the reasons mentioned by Mr. Scheyven in his statement, it might be economically sounder to establish the Special Fund before world disarmament came about. The matter might well rest with the reference made in the preamble of the draft resolution to parts A and B of General Assembly resolution 724 (VIII) which dealt equally with both contentions.

27. It was the duty of the General Assembly to continue studying the plan to establish a Special Fund, even though it might be necessary to wait for some time before the plan could be put into effect. It was obvious that the next step would have to be the final comments of Governments on basic questions relating to the functions, structure and operation of the Special Fund, and that was why the resolution laid down a certain procedure for the ascertainment of the views of Governments, Member States of the United Nations and of the specialized agencies. A procedure had also been laid down for the presentation of those views before the General Assembly. Previous experience had shown that general or vague references to Governments produced only general and indefinite replies.

That was why, for purposes of finality, the draft resolution was aiming at specific questions being asked and detailed replies being invited. It was only on the basis of such replies that statutes could be elaborated, but the draft resolution did not say that that would be done immediately.

28. The proposal to set up a Special Fund did not by any means imply a want of appreciation for the considerable, although still inadequate, assistance already being given in various forms by countries, jointly and severally. All countries agreed that the Special Fund could play a useful part; there was difference of opinion solely on details and timing. He would like to make it clear that neither in the draft resolution nor in the minds of its sponsors was there any thought of censuring the Governments which were not prepared for an immediate beginning. He regretted that they were not so prepared, and his country believed that the time was opportune and the necessity very great for the Special Fund to be started, but those who differed were sovereign Governments and they could hardly be coerced into opposite decisions. They had, therefore, to be left to do their own thinking and he hoped that public opinion in those countries would change. The firmest decisions were likely to be altered with changes in the public attitude, and sometimes even Governments changed. He thought that the financial conditions for the starting of the Special Fund existed even though the economic, and above all, the political climate might not, in the view of some, yet exist.

29. Again, he for one was convinced that it would be politically sounder to create an international organization under the United Nations for assistance to the under-developed countries. In the meantime, there was no reason why the General Assembly should not take active measures to bring the realization of the project nearer by way of undertaking all the preparatory tasks. The reference of specific questions to Governments was one such task and he hoped that the replies of Governments would be definite enough to advance the case a stage further towards finality. He was not quite satisfied with the pace embodied in the draft resolution and he thought, for example, that the *ad hoc* committee could very well submit one final report after receipt of the replies of Governments sent by 31 March 1956 so that the report, and not a mere interim report, could be submitted to the General Assembly at its eleventh session. To lose that session with an interim report would be to lose one year. Much could happen during that year and he felt it should not be wasted. For the rest, he was heartened by the fact that the representative of the United States did not see any fundamental difference between the draft resolution and the attitude of his own Government. The Indian delegation had always emphasized the need for a unanimous resolution on a subject of the kind they were debating and he felt, after the speech of his United States colleague, that the details, regarding which there appeared to be some difference, could be adjusted by discussion to the satisfaction of all concerned.

30. Mr. BRILEJ (Yugoslavia) said that the history of the Special Fund could be divided into three phases: there was a first phase, at the end of which the idea of setting up a Special Fund had been generally recognized; a second phase, during which an attempt had been made to determine the functions of the Special Fund as was shown in the report of the Committee of

Nine (E/2381), the replies of Governments thereto (A/2646 and Addenda) and the report of Mr. Scheyven; and finally, there was the present phase, in which the establishment of the Special Fund in the near future was being contemplated.

31. In the resolutions adopted during the last few years, it had often been stressed that the Special Fund must be set up "as soon as possible", as and when the international situation permitted. Important progress had been achieved in that regard, and above all, world public opinion had recently been attaching ever-increasing importance to the question of assistance to the under-developed countries, as witness the Asian-African Conference at Bandung, the joint statement by the USSR and Yugoslavia following the talks in June 1955, the statement by Premier Faure of France at the Geneva Conference of the Heads of Government, and finally the draft resolution put forward by thirty-two countries, an unprecedented event in the United Nations.

32. In that respect, the Yugoslav delegation, of course, had never disputed the existence of a certain connexion between internationally controlled disarmament and the Special Fund. The representatives of under-developed countries, however, had never admitted that there was a direct link between the establishment of the Special Fund and the level of internationally controlled disarmament actually attained. If the purpose of that argument had been to justify why no contribution to the Special Fund could be made, owing to the great financial burden of defence mobilization, it held no longer at a time when international conditions made reductions in defence budgets possible; and that stage had already been reached.

33. He then went on to reply to various objections which had been raised against the Special Fund.

34. It had first of all been said that financing was far from being the most essential element of economic development in under-developed countries and that grants of capital would be in vain if they were not accompanied by technical assistance. The Yugoslav delegation considered that the converse was also true, and for that reason had been happy to hear Mr. Keenleyside, Director-General of the Technical Assistance Administration, and Mr. Scheyven state that technical assistance experts recommended the establishment of the Special Fund, so that their technical advice might bear material fruit.

35. It had also been asserted that the assimilative capacity for foreign capital in the under-developed countries was extremely limited. Here it was necessary to draw a distinction between the various types of capital which might be invested in those countries: obviously, the number of investment opportunities for private capital in the under-developed countries was constantly dwindling, since such countries were hardly in a position to pay interest rates in the neighbourhood of 10 per cent, while the investments of the Bank were limited by the "credit-worthiness" which it required from the countries concerned. So far as capital to be provided by the Special Fund was concerned, the assimilative capacity of the under-developed countries was again limited by certain factors, such as the number of available technicians, the degree of development of national transport and the general level of disposable income. But such limitations, which would be of importance if the Special

Fund were to have, for example, \$10,000 million at its disposal annually, had a purely theoretical meaning, since the Special Fund would have a starting capital of \$250 million at most.

36. Thirdly, agreement did not appear to have been reached on whether more stress should be given to the development of the infrastructure than directly to a productive agriculture or industry. In his report (A/2906, paragraph 12), Mr. Scheyven had given a satisfactory definition of the economic-social infrastructure of a country. However, the task of the Special Fund was not to finance the development of agriculture alone or of industry alone, but to facilitate the implementation of over-all national programmes for a harmonious and balanced economic growth.

37. Turning to Mr. Scheyven's report, to which he paid a tribute, he said that he was sorry to note the report had abandoned the idea of long-term, low-interest loans in favour of a combination of grants-in-aid and loans. That idea might appear attractive at first sight but it had certain disadvantages: it was not clear, in the first place, who would decide when an agency loan had to be supplemented by a grant from the Special Fund. It appeared that the Joint Committee would play an important role in that respect, and, as the Bank would be the only credit institution represented on the Joint Committee, the other credit institutions might complain of discrimination. Moreover, it was to be feared that all the lending institutions would request that their loans or investments should be supplemented by a grant from the Special Fund because, as the authors of the report admitted, that grant would compensate for a risk margin and would make it possible for the countries concerned to pay higher rates of interest. It was open to question, therefore, whether the combination of grants and loans would not be of a greater importance for the foreign investors than for the under-developed countries. The Special Fund's resources would probably be too small—even if they were used entirely for such operations—to satisfy all the requests of lending institutions. If the Joint Committee wished to avoid and discrimination in that respect, it would have to spend the whole available annual sum on combined grants and loans and that would mean that, as a rule, any applicant country would have to seek a loan from a commercial institution, and accept the conditions imposed by such institutions, before it could receive assistance from the Special Fund. As the commercial institutions were primarily guided by their own financial interests, they would obviously not help to finance "infrastructural" investments. His delegation therefore felt that to eliminate the idea of low-interest loans was tantamount to abandoning the basic purpose for which the Special Fund should be set up, in accordance with the principles of the United Nations Charter.

38. With regard to the relationship between the Special Fund and the Bank, he felt that given the fundamental concept of the Special Fund, it should remain entirely separate from any of the existing financial institutions. He doubted whether the Bank's technical machinery would be able to assist the Special Fund in its operations, since the functions of the two institutions were entirely different. In fact, the task entrusted to the Special Fund was very similar to that of the Technical Assistance Board (TAB), and his delegation regretted that the possibility of co-operation

between those two bodies had not been examined more thoroughly.

39. With regard to applications for assistance, he thought that, contrary to paragraph 62 of the report, Governments should submit them directly to the Special Fund, without the intermediary of the Bank. Nevertheless, if Governments needed technical assistance, they might apply directly to TAB in the case of the Expanded Programme, when formulating their applications, or to one of the specialized agencies—such as the Bank—which operated their regular programmes.

40. Mr. Scheyven's report raised a number of other questions on which his Government hoped to have an opportunity to comment at a later date. He would like to stress, however, that the report was an important and useful document which would provide a solid basis for the elaboration of the statute of the Special Fund.

41. Yugoslavia was one of the thirty-two sponsors of the draft resolution and he hoped that it would receive the Committee's unanimous support.

42. Mr. SOTELA (Costa Rica) said that the need for establishing the Special Fund was no longer in doubt; it was no longer a question of correcting a disequilibrium in the world, but of helping many peoples in dire necessity. Good intentions were not enough; they must be translated into action. The time had come for all States, and particularly the great Powers, to give proof of their desire for co-operation. The Special Fund would make it possible to re-orientate the national economies in the best possible way when international disarmament was achieved; it would help to ensure full employment, to solve social problems and to combine financial and technical assistance. He therefore hoped that the Special Fund would soon become a reality.

43. Sir Alec RANDALL (United Kingdom) said that the economic development of under-developed countries was a matter for serious consideration to all countries in the world. The proposal for a Special Fund offered a way of assisting that development by complementing the existing technical assistance and lending programmes of the United Nations. It would also provide further aid through a world organization which was in some ways more attractive than aid given bilaterally. His Government understood those considerations and his remarks were made in the light of them.

44. There had been suggestions that some Governments made the promotion of the economic development of under-developed countries dependent on the prior achievement of a substantial measure of international disarmament. There should be no misunderstanding on that point; neither his Government nor, he believed, the Government of any other major industrialized Power had ever contended that the economic development of under-developed territories should wait upon disarmament. They had only contended that they could not reasonably undertake the very large and continuing additional responsibilities implicit in the Special Fund until considerable additional capital resources became available to them.

45. His Government had other very heavy commitments. First, it was bound by the obligations which it had contracted to its many overseas territories. A large part of its available exportable capital had to be devoted to them. In the general debate (353rd meeting) he had

given some account of his country's experiences in that field. Since the first Colonial Development and Welfare Act, progress had been remarkable. Each successive Development Act had provided for increased expenditure. That indeed was a consideration that had to be borne in mind when considering a new responsibility of the size of SUNFED. An initial expenditure would probably generate the need for further expenditure.

46. Furthermore, his Government, recognizing the special value which aid through the United Nations could have, had made considerable contributions to the existing United Nations programmes. In that connexion, it should be noted that many of those programmes were concerned with the provision of technical assistance. It was indeed the experience of his Government that the most urgent problem in the field of economic development was the lack of technical training. When limited capital became available, therefore, it should be concentrated primarily on technical training. That was the sort of consideration which guided his Government in its participation in the Colombo Plan, to which the United Kingdom had recently pledged a substantial increase in its support.

47. In those circumstances it was only reasonable that his Government should look at proposals for additional contributions, particularly such large contributions, with the utmost care. The Special Fund must be a success and for that it must have substantial financial resources. They could only become available through large-scale disarmament. In the meantime, it would be wiser to devote the sums available to the existing programmes.

48. With regard to the reductions which the great Powers had already made in their military budgets, he did not feel that they were sufficiently large to justify the very early establishment of a project such as the Special Fund. Furthermore, economic development could not take place except in conditions of stability and security, and he could not accept the thesis that economic development should take priority over security. That did not mean that the maintenance of security should preclude the promotion of economic development, but the resources devoted to economic development must to some extent be dependent upon the resources devoted to defence. The burden which the maintenance of security placed upon the taxpayers of the major Powers was already very great. In addition, many urgent domestic projects must be borne in mind. No democratic Government could ignore the claims of tax relief and of domestic investment. As Mr. Molotov had stated to the General Assembly (520th plenary meeting) the funds saved as a result of curtailment in military budgets could be used not only to assist the under-developed countries but also to alleviate the taxpayers' burden in the developed countries.

49. Lastly, the Governments of the great Powers had to keep a very close watch on the balance of payments because it affected economic stability throughout the world, and economic stability was a prerequisite for economic development.

50. Those considerations might be discouraging, but his delegation felt that it was desirable to restate them. On the other hand, he hoped he had shown that the problems of economic development of under-developed areas were of real concern to his Government and

that the part it was playing in promoting such development was fully commensurate with its available resources. His Government was definitely committed in principle to the establishment of the Special Fund. That commitment had not been lightly undertaken and would not be lightly abandoned. It would therefore be most regrettable if major contributors were compelled to take a position which they would find it

difficult to relinquish if prospects for the creation of the Special Fund should subsequently improve. In that connexion, he paid a tribute to the restraint, the good sense and the understanding shown by the sponsors of the draft resolution.

The meeting rose at 5.50 p.m.