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Chairman : Prince WAN WAITHAYAKON (Thailand).

**Economic development of under-developed countries : report of the Economic and Social Council (chapter III) (A/1884<sup>1</sup> and A/1924) (*continued*)**

- (a) Financing of economic development of under-developed countries (A/C.2/L.79 and Corr. 1 & 2, A/C.2/L.83/Rev. 1, A/C.2/L.86 and Corr. 1, A/C.2/L.103, A/C.2/L.104, A/C.2/L.105, A/C.2/L.106 and A/C.2/L.109 (*continued*))

[Item 26]\*

1. The CHAIRMAN called upon the representative of the Food and Agriculture Organization as the next speaker on his list.

2. Mr McDOUGALL (Food and Agriculture Organization) wished to draw attention to the resolutions dealing with national agricultural development programmes, action at the farm level to increase production, reform of agrarian structure, and investment for agricultural development adopted by the recently concluded sixth session of the FAO Conference. Copies of those resolutions were being circulated to the Committee and, if desired, copies of resolutions relating to migration, commodity problems, and food shortages and famines could also be circulated.

3. Mr. SANTA CRUZ (Chile) said it might appear presumptuous to continue to defend the joint draft resolution of which he was co-sponsor (A/C.2/L.104), after the statements by the representatives of the United States, the Union of Soviet Socialist Republics, the United Kingdom and France. But he would do so nevertheless because he felt he would thereby be

defending the interests of peace, the future of the United Nations and that of the under-developed countries.

4. There were three points of view in the Committee : that of the Western industrialized countries, that of the USSR and its friends, and that of the other countries, apart from a few exceptions which were attributable to circumstances. Recent developments had shown that countries could only advance if they were prepared to exert themselves.

5. The President of the International Bank for Reconstruction and Development and the United States representative had referred to loans made by the Bank and the Export-Import Bank for development projects in Chile (163rd and 164th meetings). Those statements had suggested some inconsistency between his Government as the advocate of increased financing and as the recipient of assistance from the existing sources of financing. His country was grateful for the loans it had received, particularly for those from the United States Government which had been under no obligation to make them. With the loans received from the Export-Import Bank, Chile, had been able to build a steel plant which would form the basis for industrial development, and with those received from the International Bank it had been able to triple its electric power. Nevertheless, when his delegation upheld a certain policy, it was not because such a policy would be of direct and immediate benefit to Chile but in order to fulfil its duties as a Member of the United Nations. Accordingly, although the creation of a special international fund would certainly prove to Chile's advantage, his delegation realized that it would provide a greater and more certain source of benefit for countries in a less advanced state of development than Chile.

6. When his Government had supported United Nations action in Korea, it had done so not because its interests were as directly involved as those of other

<sup>1</sup> See *Official Records of the General Assembly, Sixth Session, Supplement No. 3.*

\* Indicates the item number on the General Assembly agenda.

nations but because it felt that the cause of collective security and the principles of the United Nations were at stake. If necessary, Chile was prepared to make sacrifices and to draw on the material, human and moral resources at its disposal.

7. Some of the representatives who had argued against the joint draft resolution had raised considerations which were irrelevant to the discussion at the stage it had reached. The United States representative had given details of the loans made by the Export-Import Bank and by the International Bank for development projects including non-self liquidating ones. The United States representative had also interpreted certain statements as implying that existing measures for financing were totally inadequate and that practically nothing had been done in the field of non-self-liquidating projects, such as electric power, irrigation and roads. He (Mr. Santa Cruz) was sure that none of the co-sponsors had meant to imply anything of the sort, and he himself would never have made such a statement since he fully recognized the considerable progress achieved and the development of a sense of international responsibility.

8. It was not the Committee's function to enter into polemics concerning the figures required under various heads of expenditure. Its function was clearly to find new methods for achieving a steadier flow of foreign capital, with special attention to the financing of non-self-liquidating projects, in accordance with the four basic principles of General Assembly resolution 400 (V) which had been given further emphasis by the Economic and Social Council's resolution 368 (XIII), both those resolutions having been adopted unanimously. The co-sponsors of the joint draft resolution, in making their proposals, had no need to minimize the progress achieved in economic development; the real need for assistance to the under-developed countries was confirmed by the most recent data available, in particular the Secretary-General's report on "Volume and Distribution of National Income in Under-developed countries"<sup>2</sup>.

9. In reply to objections that the various joint draft resolutions did not take sufficient account of the part to be played by private capital, national savings and other forms of capital, he said that those points had either been covered by the Economic and Social Council's resolutions 294 (XII) and 368 (XIII) or were the subject matter of other draft resolutions to be discussed by the Committee.

10. Logically the joint draft resolution of which he was a co-sponsor should be judged by two tests: was the resolution proposed adequate and was its application opportune? So far as the first point was concerned, he noted that the need for additional financing was a premise which had been accepted by the General Assembly and by the Council. It was noteworthy that none of the draft resolutions suggested that the proposed special fund should be created now.

11. The joint draft resolution submitted by the Burmese and Cuban delegations (A/C.2/L.83/Rev.1) attributed different functions to an international development authority and the joint draft resolution of which his delegation was co-sponsor left the question of the administration of the Fund to the Council's decision.

12. He recognized the positive results achieved in the past under the Marshall Plan by bilateral financial assistance, particularly in Western Europe which had received more than 15 thousand million dollars, and in Greece, which had received 898 million dollars for non-military aid since 1947 and at the present juncture, was proposing that the *status quo* regarding international financing should be maintained. However, it was not the function of the United Nations to sponsor that type of programme; it should put forward a solution of a more international nature. The President of the Bank, at the 163rd meeting, had reaffirmed his statement at the twelfth session of the Economic and Social Council<sup>3</sup>: international financing was both necessary and appropriate for economic development. That view was also contained in the report of the United States International Development Advisory Board.

13. The Mexican representative had expressed support for a policy of loans rather than of grants. The joint draft resolution (A/C.2/L.104) contemplated that as one possibility. He agreed with the Mexican representative that loans of the type he had suggested and such as the loan granted by the United States to the United Kingdom in 1946, were preferable. However the report by the Group of Experts, the Gray Report, the United States International Development Advisory Board and the President of the Bank had all expressed a preference for outright grants. That was why the draft resolution of which his delegation was a co-sponsor proposed setting up a fund. If the joint draft resolution were approved, the Council would then have to make the appropriate recommendations in that connexion.

14. Several delegations, including the United States, the United Kingdom, France and Canada, had expressed the view that the joint draft resolution was not timely and that owing to defence needs the highly-industrialized countries, and in particular the United States, would be unable to contribute to any special fund which might be created and that, consequently, the peoples of the under-developed countries would be disappointed in their expectations. Such reasoning overlooked the fact that the joint draft did not propose the immediate establishment of a special fund but merely requested the Council to prepare a series of recommendations in that connexion. According to the draft, the fund was not to be set up until circumstances permitted. Admittedly, such preparation would constitute a step towards the establishment of such a fund but that had been clearly shown to be the only workable solution and the Colombian representative's enquiry at the 164th meeting concerning a possible alternative had been left unanswered. It had been argued that the possibility for establishing an international fund on a genuinely international basis, in the near future, did not exist. He pointed out that the joint draft resolution referred to the need for special attention to be paid to international co-operation within the framework of the United Nations.

15. If general agreement existed that the problem was one of exceptional urgency and gravity and called for a new and bold policy, there was no reason to suppose that Member States could not elaborate the plans called for under the joint draft resolution within the coming

<sup>2</sup> Document E/2041. See also *Statistical Papers*, Series E, No. 3.

<sup>3</sup> See *Official Records of the Economic and Social Council, Twelfth Session*, 459th meeting.

year, particularly as it might even be possible for contributions to be made to the fund in local currencies, services and supplies as in respect of the technical assistance programme. The statement contained in the joint draft resolution that the study of plans should not be regarded as in any way committing the participating governments was made in all sincerity and he consequently believed that the interpretation given to the draft resolution by the French representative (164th meeting) was uncalled for.

16. If the United Nations were to close its eyes to the formidable facts of the times and maintain the *status quo*, even disregarding the need to request the Economic and Social Council to study the question at its forthcoming session, it would disappoint the under-developed countries which would not understand that the Assembly could not accomplish anything concrete. He did not request that the special fund should receive high contributions from the time of its inception but that a beginning should be made. Indeed, the mere fact that such a programme had been initiated would, he was sure, have surprisingly favourable results in the under-developed countries. If the United Nations were to devote even a relatively small portion of their resources to assisting a single small country in the initial stages of development, that would create a favourable impression and constitute a valuable contribution towards the achievement of the fundamental principles of the Charter.

17. Past experience had shown that the greatest actions of international solidarity had been conceived in time of crisis. That was all the more true at the present time when so much was said regarding the need for raising the standards of living of peoples. It was the duty of the United Nations to take action in respect of economic and social problems and to lead economic progress, not merely to act as an office that approved the decisions of particular States. If it failed in that task, its corresponding loss of prestige would necessarily have repercussions on its action in the political field and in the maintenance of international security.

18. The pessimism shown by the United States representative when he had stated that the United States was not prepared to commit itself to a special fund either at the present time or in the foreseeable future (164th meeting), contrasted with the traditional optimism of the United States and with events in recent years when the United States had constantly been in the vanguard of action in the interests of international solidarity, as shown by the Marshall Plan and other action. It was the responsibility of governments and consequently of representatives, to impress upon the people of the United States that such action was within their possibilities and essential for the maintenance of peace and security. He agreed with the United States representative that the decisions of the General Assembly had considerable repercussions. However, he could not agree with his assertion that the adoption of a draft resolution such as the joint draft of which he was co-sponsor would lower the prestige of the United Nations. Its prestige would only suffer if it allowed poverty to continue when it had the possibilities of taking action to remedy it.

19. Mr. NARIELWALA (India) said the under-developed countries must speak with one voice in all international gatherings as their problems and sufferings were, by and large, alike. The under-developed countries were awakening from their long torpor and were

impatient and anxious to develop their economies as rapidly as possible. Representatives of the more advanced countries had asserted that the under-developed countries should depend primarily on their own efforts. It was maintained that the more advanced countries were involved in vast armaments programmes, which would prevent them from assisting the under-developed countries for several years. The Greek representative had suggested that, since the under-developed countries had mainly agrarian economies and large populations, the vast numbers of people unemployed during the non-agricultural seasons should be asked to work without remuneration on the various development projects.

20. His delegation supported the principle of self-help, but to adopt the method suggested by the Greek representative would be to return to the days of slavery. Three major river valley projects were being undertaken in India, and the services of the local rural population were being used but not without remuneration. He had already mentioned (150th meeting) that about 60 per cent of the cost of the Indian Five-Year Plan would be financed from local resources and that it was hoped to secure the balance from international agencies. In that connexion he welcomed the statement by the United States representative that, in spite of its rearmament programme, the United States would do its best to assist the under-developed countries (147th meeting). But the United States representative did not seem so enthusiastic when it came to implementing that laudable objective.

21. The Indian delegation also welcomed the USSR representative's statement that, while the Soviet Union believed that the peoples of the under-developed countries should use their own internal resources primarily for financing their projects, it nevertheless agreed that the inflow of foreign capital into those countries was necessary, provided such assistance was not accompanied by any restriction of the political or economic freedom of the recipient countries (155th meeting). He cordially invited the Soviet Union to participate in the economic development of the under-developed countries.

22. The figures quoted by the President of the International Bank (163rd meeting) were not so impressive in terms of the requirements of the under-developed countries. The conservative estimate of the Group of Experts was that the Bank should endeavour to lend at least \$1,000 million annually to the under-developed countries for the next five years. The President of the Bank had also announced that the Bank would help to finance the under-developed countries, firstly, if the projects contemplated were sound and would help to increase productivity and, secondly, if the recipient country was in a position to utilize those loans satisfactorily. If neither of those conditions were fulfilled, the Bank would be unable to assist and the only solution would be for the needy country to receive a grant-in-aid. The President had not disclosed where those grants-in-aid were to come from.

23. The Indian Government felt that the International Bank should adopt a more liberal attitude in granting loans, and endorsed the observations in paragraphs 264 and following of the report of the Group of Experts regarding the Bank's lending policy. The need of the under-developed countries for rapid economic development was so urgent that immediate action was necessary.

24. The total expenditure involved in the Indian Five-Year Plans was estimated at 1,345 million pounds, of which it was hoped to raise 840 million pounds from internal resources by means of higher taxation, land estate duties, long-term borrowing from the public, small savings, and other methods. The balance would have to be supplied by international financing agencies.

25. The production figures for electricity, cement and steel in India, quoted by the United States representative, were unfortunately trifling when compared with India's requirements. Those production figures had been reached entirely through the efforts of the Indian people themselves. On the completion of the Five-Year Plan it was hoped to increase the annual output of electricity from 144,000 kw to about 1,900,000 kw and of steel from 1,500,000 tons to at least 3 million tons.

26. If the International Bank maintained that it would have difficulty in offering assistance to the extent required by the under-developed countries, the only other way of obtaining the necessary resources was to request foreign private capital or to establish a special international fund. As early as 1948, India had tried to attract private capital by applying the following principles: no discrimination between foreign and national undertakings, reasonable facilities for transferring profits and repatriating capital, fair compensation in case of nationalization. His delegation nevertheless would like an international fund to be established and he therefore supported the joint draft resolution submitted by Burma, Chile, Cuba, Egypt and Yugoslavia (A/C.2/L.104). There was no need to enlarge upon the advantages of an international agency over a system of bilateral agreements.

27. In the First Committee the Indian delegation had tabled a draft resolution for the establishment of a United Nations fund for reconstruction and development, to which all countries would contribute from the savings which they would make by gradually reducing their rearmament programmes<sup>4</sup>. He suggested that paragraph 12 (b) of the joint draft resolution could be modified to read:

"(b) The manner in which the contributions to the fund will be collected, keeping in mind the desirability of universal participation and the utilization of any savings that may accrue from any programme of disarmament, as one of the sources of contributions";<sup>5</sup>

and that the words "special fund" in paragraph 11 could be altered to read "United Nations Fund for Reconstruction and Development".

28. With regard to the Burmese-Cuban joint draft resolution (A/C.2/L.83/Rev.1), he felt that the establishment of the proposed international development authority might create difficulties. Instead of adding to the number of agencies, it was preferable to utilize existing organizations, such as the specialized agencies and the regional commissions. It would be premature to establish an international development authority now. If an international fund for reconstruction and development were established, the method of operating it could soon be determined and its financial assistance might even be distributed through existing international channels.

<sup>4</sup> Document A/C.1/669. See *Official Records of the General Assembly, Sixth Session, First Committee, 454th meeting.*

<sup>5</sup> The Indian amendment was later circulated as document A/C.2/L.109.

29. Mr. BILBAO (Bolivia) said his delegation would support the joint draft resolution submitted by Burma, Chile, Cuba, Egypt and Yugoslavia (A/C.2/L.104). The proposed international fund would be an effective method of supplementing existing sources of financial assistance such as the International Bank and the Export-Import Bank. The suggestions put forward in the joint draft resolution would be complementary to domestic efforts in the under-developed countries and to the Expanded Programme of Technical Assistance.

30. Mr. AREAN (Argentina) felt that the Brazilian-Greek joint draft resolution (A/C.2/L.86 and Corr.1) did not fully meet the aspirations of the peoples of the under-developed countries and that the Burmese-Cuban joint draft resolution (A/C.2/L.83/Rev.1) would require further consideration and possible modification since it visualized the establishment of a new international authority. He supported the joint draft resolution of Burma, Chile, Cuba, Egypt and Yugoslavia because he felt that the measures suggested were realistic and best adapted to current needs. The phrase "as soon as circumstances permit" in paragraph 11, met the objections of those representatives who had doubts as to the time for the establishment of the special fund.

31. There appeared to be general agreement on the need for the under-developed countries to import foreign capital since their domestic resources were altogether inadequate. On the other hand, certain delegations felt that the time was not ripe for studying and planning methods of financing. Yet such studies would certainly be useful. The hesitancy felt in some quarters contrasted with the attitude adopted in political and military matters where plans were being put into effect to meet the mere contingency of aggression. No more time should be wasted; studies should be undertaken so that an effective system of financing could be initiated when the international situation changed. It should be remembered that the economic development of under-developed countries was also of benefit to the more industrialized countries as it involved an increase in the production of raw materials. The financing of economic development should not be postponed on the pretext that it was subordinate to re-armament programmes.

32. Mr. GALVEZ (Guatemala) said his country's economy was primarily agricultural, but during the past seven years his Government had undertaken its conversion from a semi-colonial economy to that of a modern capitalist country, with a consequent increase in the standard of living of the inhabitants. The production of essential goods and of articles currently imported had been increased as much as possible and the foundations had been established for the future production of hydro-electric power and other industrial necessities. An incentive had thus been given to private initiative and domestic capital. The country nevertheless desired foreign capital, which would always be well received provided that the conditions of its investment were in accordance with the national law and the country's interests and that there was no intervention in the political life of the country. He did not think that the measures recommended by the United Nations to promote the investment of foreign capital would lead to intervention in the domestic affairs of a country.

33. His country also required technical assistance, although, in that connexion, he expressed the hope that

the experts sent to advise on such assistance would be men who had experience of the conditions peculiar to the Latin-American countries and would not attempt to impose on them the conditions typical of more advanced countries, which could not yet be readily adapted to his country's economy.

34. His delegation would support the joint draft resolution (A/C.2/L.104), which it considered of great importance for the economic development of under-developed countries.

35. Mr. KHANDAN (Iraq) said the joint draft resolution (A/C.2/L.104) did not appear to be acceptable to the representatives of those countries which were in a position to give financial aid and which were apparently chiefly concerned with not disappointing the under-developed countries by promising more than they could actually fulfil. He did not, however, see how the action proposed in the joint draft resolution could lead to disappointment.

36. The draft recommended the establishment of a special fund for financing, as soon as circumstances permitted; that would be possible provided that the armaments race were stopped or slowed down, and it was surely not too sanguine to hope for that. Moreover, whatever steps were taken with regard to armaments, it was indispensable to the maintenance of peace that the development of the under-developed countries should proceed. Ever greater efforts must be made, and it could only lead to disappointment if the Committee's action was limited to the expression of vague hopes and aspirations.

37. His country possessed great mineral resources which he expected would enable it to become entirely independent of foreign aid, but it was still concerned with the situation of other under-developed countries which were not so fortunately placed. Since international relationships were becoming ever more closely knit, no country could be absolutely independent economically of others.

38. The joint draft resolution (A/C.2/L.104) called for the establishment of definite plans which would avoid any waste of time, and he thought it took into account the international situation and formed an adequate response to the hopes of the under-developed countries provided that the democratic countries exercised constant vigilance.

39. Mr. PAO (China) said the question of external financing had been discussed at length during the sixth session of the Economic, Employment and Development Commission and the thirteenth session of the Economic and Social Council. Council resolution 368 (XIII) merely requested the Secretary-General to formulate a series of methods pertaining to the problem of grant assistance. The Council had not adopted a decision calling on the developed countries to contribute to an international fund of the type now proposed since it had been apparent from the discussion at the thirteenth session that no such contributions would be forthcoming. The situation had not changed since.

40. The joint draft resolution (A/C.2/L.104) requested the Council to submit plans for the establishment of a special fund for the financing of economic development. Since the Council had already instructed the Secretary-General to submit suitable proposals, there

appeared to be no need for a new directive to the Council, and as the developed countries were unable or unwilling to contribute to such a fund, he saw no point in the joint draft resolution.

41. His delegation was, on the other hand, in general agreement with the principles of the joint Brazilian and Greek draft resolution (A/C.2/L.86 and Corr.1). He reviewed the provisions of paragraphs 5 and 6 of that draft resolution and said that the request in paragraph 6 (c) was somewhat redundant since the Council had already made a great effort to find ways to finance non-self-liquidating projects. During the last few years the financing of such projects had been carried out on a bilateral basis, and that seemed the most fruitful way in which developed and under-developed countries could co-operate with each other in the future.

42. He suggested that in paragraph 6 (a) the words "to continue its studies" could be changed to "to review", and indicated that his delegation would vote in favour of that joint draft resolution.

43. Mr. MURADI (Indonesia) said that among the many and varied comments expressed in the course of the debate one fact on which there was general agreement stood out: the acute need to accelerate the development of under-developed countries and help them to finance non-self-liquidating projects. In view of the generally recognized need for foreign capital, his delegation had been dismayed at the negative attitude adopted by the developed countries to the proposal contained in the joint draft resolution (A/C.2/L.104). It was a great disappointment that the developed countries were not prepared to contribute to the establishment of the special fund proposed.

44. It had been contended that existing financial facilities were adequate. Notwithstanding the facts and figures which had been quoted, his delegation maintained that the results so far achieved fell far short of the needs of the under-developed countries. The developed countries objected that owing to defence needs they could not release capital in any appreciable amount. While his delegation did not attempt to minimize the international tension, he regretted that the progress of the under-developed countries should be considered secondary to re-armament. The under-developed countries were engaged in a war against poverty and misery the outcome of which would have a decisive influence on the ultimate form of the political and economic relations between developed and under-developed countries.

45. He did not wish to create the impression that his delegation placed a false and exaggerated importance on foreign capital; it realized it was essential to make the effort to mobilize domestic resources. In the absence of such resources, however, the responsibility for providing the means of financing development became a joint one.

46. Without wishing to go into past history, he recalled that for centuries some under-developed countries had been the source which had enabled other countries to achieve industrialization.

47. In his delegation's view, the proposal contained in the joint draft resolution (A/C.2/L.104) was one which offered an opportunity of progress to the under-developed countries and there was no reason for calling

it inopportune, unrealistic or impracticable. Although the plan was novel, it was based on the principles of the United Nations Charter. It offered a new concept of investment in the under-developed countries and new possibilities of bringing about the necessary economic and social changes.

48. With regard to the Swedish representative's misgivings (162nd meeting), he assured the Committee that the governments of the under-developed countries were fully aware of their responsibility for providing favourable and secure conditions for foreign investment and suitable measures had already been taken or were being contemplated in most of those countries.

49. The under-developed countries, too, had a great stake in the cause of peace and the best contribution they could make to that cause was the successful solution of the economic and social problems confronting them. The joint draft (A/C.2/L.104) offered a challenge both to developed and under-developed countries which the latter must accept if they were to solve the problems arising from their mono-productive economies and low standards of living. If the challenge was not accepted, it would mean that the developed countries were throwing away a golden opportunity for collaboration at a cost which might well be high, for in that case differences in standards of living would inevitably widen still further.

50. His delegation supported the joint draft resolution. Its support would be even more enthusiastic if at the end of paragraph 12 of the draft resolution a recommendation were added which would suggest a solution for the difficulties encountered by under-developed countries in obtaining capital goods. He proposed the addition of a suitable paragraph which he hoped the sponsors of the joint draft resolution would accept.

51. Mr. ZOHRAB (New Zealand) said his delegation's attitude was governed by the realities of the situation, the most important of which was the extent to which the developed countries were able and willing to support schemes for financing economic development. He felt that Council resolution 368 (XIII), which his delegation supported, made a considerable concession to the views of the under-developed countries and, in view of the explanations heard about the limited possibilities of further financial assistance, it went a long way. To do more at the moment without more encouraging signs would merely be a waste of effort and would lead to disappointment and disillusionment.

52. The joint draft resolution of Brazil and Greece (A/C.2/L.86 and Corr.1), which endorsed the action already undertaken by the Council and did not go beyond the bounds of possibility, appeared very useful and his delegation would support it.

53. The joint draft resolution (A/C.2/L.104) went rather further and, in existing circumstances, appeared fruitless and a possible source of embarrassment to the developed countries which had already clearly indicated the limits of their resources. If money could be found there would be no difficulty in finding ways of distributing it, but it did not appear that countries could do more than they were already doing.

54. His delegation would therefore vote against that joint draft resolution and against the joint draft resolution submitted by Burma and Cuba (A/C.2/L.83/Rev.1) which also appeared to go beyond the Council's recommendations and would probably merely disappoint the countries which expected to benefit from it.

The meeting rose at 1.5 p.m.