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CONTENTS

	<u>Page</u>
Agenda item 28: Economic development of under-developed countries: Question of the establishment of a Special United Nations Fund for Economic Development: final and supplementary reports of the Ad Hoc Committee and recommendations of the Economic and Social Council (<u>continued</u>)	269

Chairman: Mr. Toru HAGIWARA (Japan).

AGENDA ITEM 28

Economic development of under-developed countries:

Question of the establishment of a Special United Nations Fund for Economic Development: final and supplementary reports of the Ad Hoc Committee and recommendations of the Economic and Social Council (A/3579 and Corr.1 and Add.1, A/3580, A/3613, A/3661, A/C.2/L.331, A/C.2/L.354) (continued)

1. Mr. SUÑOL (Costa Rica) said that his delegation was deeply interested in the important question of economic development. It felt strongly that the two resolutions under consideration were good, either singly or jointly. It would vote in favour of the United States draft resolution (A/C.2/L.354) but its support of that proposal should not be interpreted as a rejection of the Special United Nations Fund for Economic Development or as an indication of unwillingness to vote for the eleven-Power draft resolution (A/C.2/L.331) for the establishment of SUNFED. Indeed he continued to hope that a compromise draft resolution acceptable to all the parties concerned would be put forward and would receive the unanimous or near unanimous support of the Committee.

2. The countries, including his own, that pressed for the establishment of SUNFED did so in the belief that the alternative to economic development was stagnation, and defeat in the battle against ignorance, poverty and disease. Some progress had been made but much remained to be done before mankind could enjoy the high level of living that technical advances had made possible.

3. Certain delegations had charged that the United States proposal for a Special Projects Fund was designed as a smoke-screen to keep SUNFED out of sight. Costa Rica rejected that view, for it knew, from first-hand experience, the generous and noble attitude of the Western leaders. Nevertheless, his delegation felt that, for various reasons and because of various limitations, the American republics had not yet received all the economic assistance that they required. The facts must be faced: there was a shortage of capital and that

shortage was most keenly felt by the under-developed countries.

4. In his delegation's view, too many of the efforts of the Latin American countries to promote their economic advancement had ended in failure. The recent Inter-American Economic Conference in Buenos Aires had not achieved what had been expected of it. The attempt to secure more direct economic assistance through the establishment of new credit agencies to serve the American States had failed and it had so far been impossible to secure renewal of the United States legislation for the elimination of double taxation. The SUNFED proposal was still making little headway. The American States were under pressure from many sides and might fall prey to those who sought to make friends wherever they could and by any available means if action was not taken to assist their economic development by establishing new international credit agencies, promoting tax legislation that would work to the benefit of under-developed countries and recognizing that the same struggle was going on in Europe, Asia, Africa and in America. Everywhere the nations with little or nothing were struggling to attain higher levels of living in order to frustrate those who seized every opportunity to achieve political domination.

5. Costa Rica believed that economic development implied political peace. In fact, there could be no lasting peace while hunger and social and economic injustice prevailed. Costa Rica would play its full part in the fight for economic development, the most effective contribution it could make to the defence of the principles and civilization of the Western world.

6. Mr. THOMSON (Australia) said that his delegation had refrained from taking an early share in the debate on the financing of economic development because it had nothing useful to add at this time and moreover could play little part in whatever course of action was adopted as a result of the Committee's consideration of the two draft resolutions.

7. Australia was vast in area, with a scattered distribution of natural resources and much of its territory lacked regular or adequate supplies of water. It was now making good progress towards industrialization, thanks in part to assistance and investment from abroad and to the rapid growth of its population, assisted by the absorption of over a million immigrants since the war. Nevertheless its fortunes and its capacity to assist international programmes were still largely bound up with the prosperity of a small group of primary industries, while its international reserves were still at the mercy of agricultural disasters or large adverse movements in the international commodity markets. It was relevant to add, in that connexion, that Australia now was passing through a period of widespread and severe drought.

8. In recent years it had assumed obligations to

provide multilateral assistance of various kinds through the United Nations, and bilateral assistance to various less developed countries. At present Australia was under some strain in meeting all those obligations and it was unlikely that, in the near future, it could pledge itself to assume any substantial increase in its existing commitments.

9. His delegation's attitude to the establishment of a multilateral capital fund for economic development remained unchanged. Until the major contributors felt themselves able to give their active support, no fund could be established which had any prospect of fulfilling the hopes placed in it. To set up a capital fund now, without the participation of the major contributors, would prove, in terms of significant or visible effect, to be an empty gesture.

10. The United States proposal, on the other hand, seemed a constructive and generous initiative, particularly when viewed against the general pessimism about the future of the Expanded Programme of Technical Assistance. If a sufficient volume of financial support from countries in a position to render support were received, the Special Projects Fund should perform a considerable service for under-developed countries in an area midway between technical and capital assistance.

11. His delegation hoped, however, that support for the Special Projects Fund would not reduce the volume of resources made available to the established technical assistance programmes. For that reason the Special Projects Fund should be linked as closely as possible with the existing technical assistance machinery. Moreover, since it appeared unlikely that the target of \$100 million would be reached in the first two or three years of operation of the Special Projects Fund, close administrative economy would be needed if the fund was to achieve an effect in any way commensurate with its aims. That economy could probably be achieved by fuller use and adaptation of existing machinery rather than by immediately setting up an additional and entirely separate organization. Those matters would, however, be the subject of study and recommendation by the preparatory committee proposed in the United States draft resolution.

12. His delegation was prepared to support the United States resolution, if put to the vote. It would also be prepared to support any compromise resolution which might supersede the United States proposal if that would command unanimous support in the Committee. In the circumstances, it would be most unfortunate if the Committee's deliberations were to end on any note of sharp discord.

13. In according his delegation's support to the United States draft resolution or any compromise resolution acceptable both to the United States and the co-sponsors of the eleven-Power resolution, he did not in any way prejudge the action his Government might see fit to take in consequence of those resolutions. When and if the time came, a decision on any contribution would have to be taken within the limits of Australia's circumstances, resources and current obligations.

14. Mr. DENICHENKO (Byelorussian Soviet Socialist Republic) said that his delegation supported the idea of setting up a Special United Nations Fund for Economic Development and, while realizing that an agreement on

disarmament would release more funds for the assistance of the under-developed countries, did not believe that the establishment of the fund should be postponed until such an agreement was attained. In view of Economic and Social Council resolution 662 B (XXIV) which urged the General Assembly at its present session to decide to establish SUNFED, it was surprising that the Committee had virtually not discussed the final (A/3579 and Corr.1 and Add.1) and supplementary (A/3580) reports of the Ad Hoc Committee which contained many recommendations regarding the role, structure and operations of the proposed SUNFED, an examination of which would greatly have facilitated the work of the preparatory commission.

15. The Byelorussian delegation, for its part, considered that SUNFED should be constituted by voluntary contributions paid in national currencies or in kind. Its main objective should be to assist the under-developed countries in the development of their national economies through the granting of long-term low-interest or no-interest loans, reimbursible in national currencies. SUNFED should be an independent and universal body; its members should have equal rights and its executive organ should consist of representatives both of the main contributors and of the under-developed countries.

16. He did not think that the new United States proposal justified rejection of the idea of SUNFED, which had been under discussion in United Nations bodies for over six years. The United States, the United Kingdom and some other delegations had consistently opposed the setting up of SUNFED, which they insisted on linking with the attainment of an agreement on disarmament while at the same time preventing the attainment of such an agreement. The United States was now, it appeared, attempting to give the idea a final blow by introducing its new proposal which, in turn, no doubt, would call for many years' discussion, while the position of the under-developed countries remained the same. But there was not, in reality, anything new in the proposal. The United Nations had long been considering the possibility of a substantially larger Technical Assistance Programme and in fact in its resolution 659 B (XXIV) the Economic and Social Council had invited participating Governments to suggest measures which would make it possible to implement a substantially larger Programme. Perhaps the United States delegation intended its proposal to replace that resolution, too. Similarly, operative paragraph 3 (d) of the United States proposal, which required the preparatory committee to "prepare the necessary draft amendments in the present procedures and legislation of the Expanded Programme", seemed likely to entail a revision of the basic provisions of Council resolution 222 (IX) and disregard of the principle of non-interference in the internal affairs of the under-developed countries.

17. The second element in the United States proposal—the establishment of a Special Projects Fund for carrying out basic research into the resources of the under-developed countries—was not new either. Mr. Paul Hoffman, former head of the United States Economic Cooperation Administration, had proposed the establishment of just such a fund, in an article published in The New York Times Magazine on 17 February 1957. But Mr. Hoffman had been more outspoken than the United States representative in suggesting that such a fund would be a useful instrument to the United States

in the pursuance of its policy. That policy, it was only too clear, was to maintain the under-developed countries as appendages to its military economy for the production of raw materials, and as markets for the disposal of its products. It had also been said that adoption of the United States draft resolution would facilitate the flow of private capital into the under-developed countries. His delegation was interested in that question and had often asked the Secretary-General to study the part played by private capital in the economic development of under-developed countries. The document on the international flow of private capital in 1956 (E/3021)^{1/} did not reveal what profits foreign monopolies had drawn from their exploitation of the people and natural wealth of other countries and whether the under-developed countries themselves had derived any benefit from such capital or what conditions had been imposed.

18. His delegation would therefore warn the Committee against abandoning the SUNFED project in favour of the United States proposal, particularly as the Government of the latter country offered, not a specific sum, but only a percentage of a figure as yet unknown. While the under-developed countries should depend primarily on their own internal resources and reserves for their economic development, external assistance could play a part as an additional source of funds for speeding up the rate of that development, always assuming observance of the principle of non-interference in their domestic affairs.

19. Mr. LY CHINLY (Cambodia) said that his Government was in favour of the establishment of SUNFED and believed that a fund with an initial capital of \$500 million was desirable. As the representative of a small nation, he trusted that the highly developed countries in the United Nations would agree to join forces to help the under-developed areas, thus demonstrating that international co-operation in the economic and social field was not a matter of words only.

20. In his delegation's view, the United States draft resolution was realistic, though limited in scope in that it did not provide for the financing of development projects. At present the large amounts of capital needed for such programmes could only be obtained through bilateral assistance if the country concerned could not meet the rigid requirements for loans from international financial organizations. Thanks to its own efforts, to United Nations technical assistance and aid from friendly countries, Cambodia had not yet had to call on such institutions for help in carrying out its economic development projects. His country attached great importance to such projects, including the development of the lower Mekong River basin, and felt that they might easily become pilot projects to be financed by SUNFED or some other fund. At a meeting held at Bangkok in May 1957 under the auspices of the Economic Commission for Asia and the Far East, representatives of the four riparian countries of the Mekong had given high priority to the study of three projects, one in Laos and two in Cambodia, concerning hydro-electric power, navigation, irrigation, drainage and flood-control. It had been recognized, however, that technical assistance—either from the United Nations and its specialized agencies or from individual countries—would be needed to carry them out.

^{1/} Official Records of the Economic and Social Council, Twenty-fourth Session, Annexes, agenda item 6.

21. The Sambor and Tonlé Sap projects were of direct interest in Cambodia. Both would provide water for irrigation and improve navigation. In addition, the former would make it possible to build a hydro-electric plant supplying the north-east part of Cambodia with electricity at one-tenth the present cost. His Government had appointed a national council to make preliminary studies and it was a member of the Committee for Co-ordination of Investigations of the Lower Mekong Basin. However, approximately \$800,000 would be needed for detailed surveys for the Sambor project, and some \$700,000 for the Tonlé Sap project, and in view of Cambodia's limited resources, it would welcome technical assistance and financial aid from the United Nations and friendly countries.

22. In that connexion he thanked the United Nations technical assistance authorities for sending a mission headed by General Wheeler to review the plans and proposals for the Mekong River basin. His country was also grateful to France, India, Japan and the United States, whose representatives to the thirteenth session of ECAFE had expressed the willingness of their respective Governments to provide technical assistance for further studies (E/2959, paragraph 278).^{2/} He noted that though each of the contemplated projects would be carried out in only one country, they would indirectly benefit at least two other countries watered by the Mekong. The projects would therefore fall within the scope of the proposed Special Projects Fund; when the final stage of financing was reached, however, SUNFED would still be needed. In the meantime, his country had no other choice but to apply to individual countries for assistance.

23. In conclusion, he said that his delegation would support any draft resolution providing for the establishment of an economic development fund to assist the under-developed countries.

24. Mr. ALBA (Spain) said that his delegation was sympathetic towards the eleven-Power draft resolution proposing the setting up of SUNFED for it was well aware of the difficulties of economically backward areas—of the "forgotten countries" as a Spanish writer had called them—and of the urgent need to overcome those difficulties. It was particularly aware of the problems of the Latin American countries and had taken part in many exchanges of views on the subject, including those conducted by the United Nations Economic Commission for Latin America (ECLA). Moreover, Spain, still in the process of industrialization and with a relatively low national per capita income, saw itself as one of the countries which could benefit from the financing activities of SUNFED as an element in its national development plans. It must be recognized, however, as the representative of Peru had already pointed out, that a capital of \$250 million was hardly sufficient for the ambitious programme indicated in the text of the draft resolution itself. It was only necessary to compare that figure with the sums disbursed annually by the International Bank for Reconstruction and Development. Moreover, the Bank's loans were invested in financially profitable undertakings which permitted the automatic repayment of the capital and the formation of reserves. If the Fund should be set up care should be taken to ensure economy and good administration by using the existing organs of the United Nations as the representative of Canada had aptly suggested in

^{2/} Ibid., Twenty-fourth Session, Supplement No. 4.

connexion with the proposed Special Projects Fund. The Spanish Government had suggested in the observations it had submitted to the Secretary-General in October 1956 (A/AC.83/L.1/Add.15) that the Fund's activities should be co-ordinated with those of the International Bank in order to avoid any duplication of functions. The eleven-Power draft on the contrary appeared to favour a total separation of the two administrations which was, he thought, a mistake. It would be an advantage for the Fund to be able to use the experience of the Bank while, of course, granting requesting countries specially favourable conditions.

25. The United States proposal for an enlargement, from \$31 to \$100 million, of the Expanded Programme of Technical Assistance and the establishment of a Special Projects Fund for certain basic surveys in the under-developed countries appeared attractive. It would be a pity, however, his delegation thought, to continue to set the one proposal against the other. There was, as the representative of Guatemala had pointed out, a close connexion between them and his delegation hoped that a compromise proposal would be reached. All development plans called for an initial

period of technical studies and considerable initial investment, the need for which caused many countries great difficulty. Spain was aware of those needs in connexion with the under-developed areas within its own borders. Even if the assistance of the United Nations were to be confined to the financing of the preliminary technical studies however, it should not be assumed that further stages in the process could not be carried out; the project might, perhaps, be continued by the State concerned at its own expense or with the help of the International Bank or the International Finance Corporation or by a combination of means, not forgetting private enterprise.

26. In general, his delegation would support the United States proposal as a positive contribution to international collaboration in that field, while reserving its position regarding any contribution Spain might eventually make. At the same time it hoped that the United States proposal would be redrafted to allow for the setting up of SUNFED and thus the completion of the United Nations system of assistance to the under-developed countries.

The meeting rose at 12.15 p.m.