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Chairman: Mr. Mohammad MIR KHAN (Pakistan).

AGENDA ITEM 27

Economic development of under-developed countries (A/3154, A/3192) (continued):

(a) Question of the establishment of a Special United Nations Fund for Economic Development: report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2, A/C.2/L.296, A/C.2/L.300, A/C.2/L.315) (continued)

1. Mr. LOUGH (New Zealand) emphasized that his Government was not opposed in principle to the establishment of a multilateral aid programme under the United Nations. It felt, however, that in present circumstances any move towards the establishment of a Special United Nations Fund for Economic Development (SUNFED), such as the drafting of statutes, would be premature. Statutes drafted before major contributors had been able to decide if and how they would be able to contribute might well prejudice the ultimate effectiveness of SUNFED. Indeed, as the representative of Italy had pointed out, the adoption of any measure which might be construed as an attempt to force the hand of potential contributors might lead to negative reactions against contributions to SUNFED. Moreover, a statute drafted at the present stage, when there were such divergent views about the role and structure of SUNFED, might result in the establishment of an organ which certain Member States, such as the United States of America, whose participation was essential for the success of SUNFED, could not support. As the representative of Turkey had said, the present was an instance where majority rule would be ineffective. His delegation would therefore not be able to vote for the draft resolutions before the Committee and would urge their sponsors not to press them to a vote. It believed that much more preparatory work could usefully be done by the *Ad Hoc* Committee and noted with pleasure the United States delegation's statement in that connexion (430th meeting).

2. While congratulating the *Ad Hoc* Committee on its interim report (A/3134 and Corr.1 and 2), his delegation pointed out that in several places its own views had been somewhat misrepresented. First, contrary to the impression given in paragraph 31 of the report, his

Government had stated that if SUNFED were established its activities should be subject to review at the end of five years. Secondly, it was suggested in paragraph 75 that New Zealand was one of a number of Governments favouring the drawing of a distinction in making grants or loans between self-liquidating and non-self-liquidating projects: in fact, New Zealand thought that such a distinction was only one factor to be taken into account in deciding the best form of assistance. Thirdly, in paragraph 92, New Zealand was classed with other Governments as recommending that SUNFED should be an independent or autonomous administration or organization within the framework of the United Nations or closely linked with it: in fact, his Government had recommended that SUNFED should be a separate administration within the framework of the United Nations and that arrangements should be made to ensure close collaboration between it and the specialized agencies; its views would thus more appropriately have been associated with those of the group including Burma and the United Kingdom. His delegation would be grateful if the *Ad Hoc* Committee would take those comments into account in drafting its final report.

3. Mr. MARIN PAREJA (Bolivia) said that in his delegation's view the problem of economic development could not be effectively tackled until means had been devised to finance the economic and social infrastructural projects which were necessary to ensure the success of other measures of assistance. The Special United Nations Fund for Economic Development proposed to meet that need had been the subject of extensive study in United Nations bodies, and the authors of the many reports on the subject had been unanimous in recommending its establishment and urging that it should start operations as soon as possible. The time had surely come for the United Nations to decide to bring SUNFED into existence.

4. It was therefore with regret that his delegation had heard the representative of Australia argue that it would be premature to draft the statute at the present stage and that further study was desirable. The matter had been under consideration ever since 1949, when the idea had been put forward by the representative of Chile, Mr. Santa Cruz; but little real progress had been made despite reiterated declarations of goodwill. There was a serious danger that the idea of SUNFED would be buried under a mass of reports, while the problem grew steadily worse and the disparity between the rates of development of the economically advanced and the economically backward countries increased. If that state of affairs were allowed to continue, levels of living in the under-developed countries would inevitably fall and their balance of payments situation would deteriorate still further. Social unrest would increase and the industrialized countries would be disappointed in their hopes of an expansion of world trade and the opening up of wider markets for their manufactured goods. In

the circumstances, his delegation could but congratulate the French Government on its generous and constructive gesture in announcing its intention to contribute \$15 million to SUNFED.

5. The recent statement by the United States representative was not encouraging, although it was easy to understand the United States Government's reluctance to ask its people to pay yet more taxes for assistance to foreign countries. Nevertheless, the United States, aware of its leading position in world affairs, would surely not remain passive. While the United States had consistently taken the position that the establishment of SUNFED should be conditional on the achievement of sufficient progress in internationally supervised world-wide disarmament, the time had come to consider whether the creation of SUNFED, the urgency and importance of which had been fully and frequently recognized, could be postponed pending a substantial reduction in international tension permitting effective disarmament. The two problems were in fact different, and the solution of one could not be made subordinate to the solution of the other. The economic ills of the under-developed countries were indeed a factor tending to increase international tension.

6. At the 427th meeting certain industrialized countries, including the United States, had opposed the amendment or deletion of the reference in one of the draft resolutions on industrialization of under-developed countries (A/C.2/L.305) to "the clearly expressed willingness of industrialized countries to co-operate" in stimulating the industrialization of the under-developed countries. His delegation felt that SUNFED would materially contribute to that end, and accordingly hoped that wide support would be forthcoming for the thirty-nine-Power draft resolution (A/C.2/L.315) before the Committee. Its adoption would be a significant step towards the economic development of under-developed countries, for non-self-liquidating infrastructural projects were outside the scope of existing international financial agencies and could be financed only by means of international public capital channelled through a United Nations body.

7. Mr. RAJAPATHIRANA (Ceylon) said that his country had found that such institutions as the International Monetary Fund, the International Finance Corporation and the International Bank for Reconstruction and Development, though admirable in their work and international in their scope, were incapable, by reason of their structure, articles and mode of operation, of meeting the pressing financial needs of the under-developed countries. Ceylon had also found that bilateral aid, welcome and useful though it might be, tended to bring with it tensions and misunderstandings both in the beneficiary countries and in their neighbours. It was therefore clear that the two types of financial assistance available to the under-developed countries were inadequate for the purpose. Yet the problem was one for the United Nations as a whole to solve, as Article 55 of the Charter made clear. The report of the Economic and Social Council (A/3154) and the *World Economic Survey, 1955* (E/2864) revealed that, on the one hand, there was a long-term tendency in the world economic situation for the gap between the levels of living and the levels of development of the advanced and the less advanced countries to widen and that, on the other hand, the economic development of the less developed areas could bring benefits not only to such areas but also to the world as a whole. In the light of such considerations it was rea-

sonable to ask whether the United Nations was doing enough in its present programmes for the under-developed countries.

8. The besetting ills of those countries were low *per capita* income, with all its concomitants, including a slow rate of economic development, and conditions of economic instability with a consequent political instability. For countries not prepared to adopt drastic methods, financial assistance from outside was the only solution. Present resources, however, were insufficient. The United Nations had recognized that fact as long ago as 1949, and the idea of SUNFED had crystallized in 1952. Since that time many studies had been made which had pointed to the desirability of establishing SUNFED. It was to be wondered, therefore, why the industrialized countries were now slow to respond to a concrete proposal. The ostensible reason was the heavy burden on their budgets of the cost of armaments production necessitated by world political tensions. It was a fact, however, that world tensions were in part due to the arms race and to economic instability. Furthermore, the cost of setting up SUNFED would be negligible compared with the cost of defence measures, and his delegation was convinced that the highly developed countries could contribute to SUNFED without detriment to their defence programmes. It was in that conviction that his delegation had supported the thirty-nine-Power draft resolution which was designed to facilitate the ultimate establishment of SUNFED; there was no question of trying to bring pressure to bear on the countries whose support was vital for its success.

9. Certain delegations had expressed the view that it was inopportune either to establish SUNFED now or to draft its statute or even to consider what further steps were necessary to permit its establishment. They had argued that some countries had not replied to the questionnaire addressed to them by the Secretary-General. But the failure of Governments to reply to a questionnaire was, he submitted, no good reason for halting the actions of the United Nations. A second argument was that there was a great divergence of views among the forty-six Governments which had replied. Such a divergence of views was, however, only to be expected, given the natural economic and political differences between those countries. In any case, all the replies had agreed upon the necessity of establishing SUNFED. His delegation therefore believed that a draft statute should be prepared for consideration by the Economic and Social Council and, later, by the General Assembly at its twelfth session. There was no lack of material on which the *Ad Hoc* Committee could base its work. United Nations bodies had been producing material for the past four years and more. The report of the Committee of Nine (E/2381) was an excellent source of information. Moreover, the *Ad Hoc* Committee was asked to prepare only a draft; there would be ample opportunity for comment and amendment before it was adopted.

10. It had also been urged that since the United States, which would be the main contributor, was opposed to the proposal, no action should be taken. But that was, in his view, a misrepresentation of the United States' attitude. What its representative had said was that it could not agree to the drafting of a statute at the present time and could not contemplate contributing to a new fund in existing circumstances. He had, however, assured the Committee that his delegation was ready to consider any suggestions for further study by the *Ad Hoc* Committee. Ceylon had great faith in the

policies of the United States and was sure that the attitude of the latter was not so inflexible that the Committee could not find a way of engaging its active support and assistance towards an objective of which it manifestly approved and which, moreover, all countries were under an obligation to seek, under Article 55 of the Charter of the United Nations.

11. Mr. KHOGALI (Sudan) said that, while it might be impossible for all countries to achieve a similar level of development, the most alarming feature of the current economic situation was the rapidly widening gap between the more developed and the less developed countries. International trade was expanding, but that was a result of the increase in the volume and value of trade between the developed industrial countries at certain levels.

12. Much had been done to promote development through the United Nations and its associated agencies and through regional organizations such as the Colombo Plan for Co-operative Economic Development for South and South-East Asia. Technical assistance, for instance, was helping many under-developed countries, but many of those countries had development projects which they could not finance from local resources. The Bank and the International Monetary Fund could not meet all the demands; in any case those organizations were not particularly concerned with the under-developed countries. When they had been set up, the main concern of the world had been to repair the war damage and to rehabilitate the economies of the devastated countries. Most of the post-war problems had been solved, and indeed some of the countries which had suffered most had surpassed their pre-war rates of production. On the other hand, the problems confronting the under-developed countries still awaited solution. For that reason his delegation advocated the early establishment of SUNFED.

13. The *Ad Hoc* Committee, whose recommendations he endorsed, was to be congratulated on its excellent interim report. The Special United Nations Fund for Economic Development could start with the resources at present available, and it was to be hoped that the sum of \$250 million would not be beyond the means of the Governments which had approved the project. The figure of \$100 million, which had been mentioned, was undoubtedly a modest one. Contributions should be on a voluntary basis, and minimum scales should be set for the participating members. The questions of currency and payment were not insoluble, nor should it be difficult in the future to frame rules regarding eligibility for loans and priorities.

14. He did not share the pessimism of some delegations. There was no reason why SUNFED should not be soundly organized and administered. Further delay was unjustified since the needs were urgent. Most delegations, from the more advanced as well as the less developed countries, were in favour of SUNFED's early establishment, and he hoped that those who had expressed doubts would reconsider their position. Similar misgivings voiced during the discussions preceding the formation of the Bank, the International Monetary Fund and the Technical Assistance Administration had proved unfounded.

15. The setting up of SUNFED should not be conditional on disarmament, although it was true that a large portion of the world's resources was spent on unproductive schemes and a small proportion of the resources allotted to armaments would improve levels of living throughout the world.

16. It was for those reasons that his delegation had co-sponsored the thirty-nine-Power draft resolution.

17. Mr. LAWRENCE (Liberia) welcomed the fact that the majority of Member States agreed that the economic advancement of the under-developed countries should be expedited. As the various reports before the Committee indicated, there was a marked disparity between the rates of economic advance in the more developed and in the less developed countries. After due study and research, it had been concluded that the establishment of SUNFED would probably constitute the best way of accelerating the slow economic advance of the under-developed countries.

18. If the setting up of SUNFED were to be conditional upon world disarmament, the prospects of its establishment would be poor indeed. The linking of SUNFED, designed to be an instrument of peace and human betterment, with the outcome of disarmament negotiations was a most disconcerting development. The primary objective of SUNFED was to assist the less developed countries in promoting their economic development by means of loans which, in the opinion of most delegations, should be repaid. He agreed that all assistance, however given, should be amortized on a long-term basis. Most under-developed countries wanted assistance, not gifts or donations. After listening to the statements of many of his colleagues from other under-developed countries, it appeared that there existed in each of those countries some problems the solution of which was essential to any fundamental improvement.

19. It was unfortunate that most of the major potential contributors to SUNFED had indicated that the time was not yet ripe to establish that body, and that even the drafting of its statute would be untimely. It was frustrating that efforts to relieve hunger and want should have to await an improvement in the international climate.

20. He was not opposed to the thirty-nine-Power draft resolution, and sincerely hoped that the preparation of a draft statute would not be construed as an act of defiance or as a means of exercising pressure on the more fortunate States which did not consider it expedient for the moment to bring SUNFED into existence.

21. Mr. OMPI (Indonesia) noted that the *Ad Hoc* Committee had emphasized in its interim report that its conclusions should not be read by themselves, but in conjunction with parts I and II.

22. Everyone realized that the under-developed countries must themselves bear the main responsibility for their economic development, but, unless additional means were provided, capital formation in those countries was unlikely to take place at a satisfactory rate. On the other hand, it must be recognized that the wider responsibility for balanced world economic expansion did not rest with those countries. It was therefore heartening to note that in recent years the idea had been gaining ground that the best contribution the economically advanced countries could make towards world-wide integrated development was to strengthen the present inadequate machinery for providing international financial assistance. The establishment of SUNFED would be a highly important achievement in the efforts to bridge the gap between the capital requirements of the under-developed countries and their capacity to accumulate capital.

23. The various programmes of technical assistance, the Bank, the International Monetary Fund and the

International Finance Corporation could not by themselves solve the financial problems of the under-developed countries. Nor had they been set up for that purpose. The purpose of SUNFED was to enable such countries to lay the foundation of a better life. He had therefore co-sponsored the thirty-nine-Power draft resolution, which called for the preparation of a draft statute. There was no useful purpose to be served by again subjecting every technical detail connected with the establishment of SUNFED to close scrutiny.

24. The *Ad Hoc* Committee had done its work well and he concurred in the Economic and Social Council's opinion that its interim report was valuable and instructive. It contained an analysis of opinions which could serve as a guide for the preparation of a draft statute to be submitted to the General Assembly at its twelfth session.

25. Instead of stressing disagreement on details, the Committee should endeavour to widen the area of possible agreement. The time for a renewed careful review of SUNFED was when the draft statute was before the Committee. To make the establishment of SUNFED contingent on disarmament was to underestimate the importance of international co-operation for economic development.

26. He was grateful to those of the more advanced countries which, by pledging their support to SUNFED, had shown an understanding of the importance to themselves of the great social and human revolution which was taking place in the under-developed countries. The establishment of SUNFED must not be postponed. In the beginning it would obviously be unable to meet all needs, but the development of the under-developed countries was so important to the continued expansion of the world economy that the venture was still worth-while. He therefore commended the thirty-nine-Power draft resolution to the Committee.

27. Mr. SISOUK (Laos) said that his Government had announced its full support of SUNFED in its reply to the questionnaire. The establishment of SUNFED would enable the United Nations to deal with the fundamental problem of infrastructural development in the under-developed countries. Neither the programmes of technical assistance, the International Bank, the International Monetary Fund, nor the International Finance Corporation had enabled the United Nations to tackle the problem satisfactorily.

28. Infrastructural development did not produce immediate returns. A hospital or irrigation scheme did not automatically increase foreign currency earnings. Such projects were consequently often neglected under bilateral assistance programmes, and it was particularly desirable that the United Nations should attack the problem through SUNFED. Unfortunately, however, although some countries had expressed the wish to cooperate financially in the establishment of SUNFED, many important States had intimated that they were not at present prepared to contribute and their reasons were admittedly sound.

29. The thirty-nine-Power draft resolution proposed that a draft statute should be prepared. He was not opposed to the proposal, but his reaction to such theoretical studies was less than enthusiastic. He hoped that the membership of the *Ad Hoc* Committee would be increased, in keeping with the expanded membership of the United Nations.

30. It would be preferable for the *Ad Hoc* Committee to concentrate on certain urgent questions of more

limited scope and financial implications so that some positive result could soon be reached. He had in mind the peculiarly difficult position of under-developed countries which had recently attained their independence. The situation was somewhat paradoxical: the United Nations had promoted the emergence of such new States and, at the same time, had granted technical assistance to them on such a limited scale that the effects were barely perceptible. The United Nations had a special responsibility towards such States and should give them preferential treatment by making special assistance available to them in the form of a special fund or technical assistance in addition to the present very small amounts they received. A State which had recently achieved its independence could be defined as one which had become independent after the Second World War.

31. Those points deserved to be studied carefully and it might be useful to set up a committee consisting of members of the Secretariat to suggest practical measures of assistance. He called upon all States which were in a position to be of assistance to consider the merits of his suggestion and to take the initiative in proposing positive steps.

32. Mr. RACABARREN (Chile) said that the Chilean delegation, which had originally put forward the idea of SUNFED more than eight years previously, was gratified that the draft resolution embodying that idea was now sponsored by thirty-nine countries. He hoped that the proposal would soon win the unanimous support already enjoyed by the programmes of technical assistance, which also owed their origin to Chilean initiative.

33. As his delegation had stated during the discussion on industrialization, the Chilean Government was engaged in an effort to improve all sectors of the national economy by industrialization schemes and plans for the diversification of agriculture. However, it lacked the means of financing such projects and looked to SUNFED for help.

34. With regard to the organization of SUNFED, his delegation felt that an effort should be made to centralize and co-ordinate all the institutions such as the Bank, the International Monetary Fund, the International Finance Corporation, the Technical Assistance Board and the regional economic commissions which were engaged in rendering assistance to the under-developed countries. It would then be easier to see how the various projects in the under-developed countries could best be financed. The proposal made in the thirty-nine-Power draft resolution would further such a process since it recommended not only the preparation of a draft statute for SUNFED but also the consideration of further steps for the early commencement of SUNFED's operations.

35. Although several industrialized countries had expressed reluctance to support SUNFED, the readiness of France and Poland to contribute was striking. In particular, the attitude of France, which had pledged a contribution of \$15 million, might well be considered by those industrialized countries which held that the time was not yet ripe for establishing SUNFED. The representative of Haiti had pointed out that the amount suggested for the initial operations—\$250 million—was approximately the cost of a large aircraft carrier. The comparison showed how small a proportion of the vast sums now being spent on armaments would really be needed to establish SUNFED and to alleviate the fate

of untold millions of people in the under-developed countries.

36. The United States delegation had, as he understood it, argued that the establishment of SUNFED should be postponed because public opinion was not yet ready to accept further taxation in order to finance contributions. In that connexion, he pointed out that many bodies in the United States and elsewhere had expressed general support for the idea, including the Commission of the Churches on International Affairs and the International Chamber of Commerce. Perhaps one reason for the reluctance to participate in SUNFED was the preference for bilateral forms of assistance. The Special United Nations Fund for Economic Development would be essentially multilateral in character and would eliminate the disadvantages of bilateral arrangements. Chile had long favoured the multilateral approach, because it ensured that assistance was disinterested and not based on extraneous considerations. While Chile fully appreciated the generosity of the United States in making bilateral aid available to a number of countries, it nevertheless felt that such aid conferred military rather than economic benefits and was less productive than multilateral assistance.

37. It was plain to all that the establishment of SUNFED could no longer be postponed. Many countries verging on desperation were looking to SUNFED for at least a partial solution of their economic problems. In Latin America in particular, where the population was increasing at the rate of 2.5 per cent per annum and *per capita* income was steadily declining, there was urgent need for the financial assistance SUNFED could furnish to improve the social and economic infrastructure and raise the levels of living. Many of the Latin American countries had been seriously handicapped by the Second World War and the inflation it had caused. At the same time, remittance of profits from Latin America to private United States investors between 1946 and 1952 far exceeded the amount of capital they had invested in that region during the same period. The future for Latin America would be dark indeed unless further financial assistance were forthcoming. The idea of establishing SUNFED had been amply discussed and the time for action had come.

38. In the present state of competition between the world's two leading Powers the role of Latin America should be that of a balancing force. However, it could not fulfil that role unless it received assistance to ensure its own political stability by means of economic development. For all those reasons, Chile would support the thirty-nine-Power draft resolution.

39. Mr. ANIS (Egypt) said that the international capital available for long-term low-interest loans was very limited. Existing international financial institutions could not meet all the requirements of the under-developed countries and it was therefore urgent to establish SUNFED to finance non-self-liquidating projects which could not be financed from existing sources. The arguments in favour of such a step were unanswerable: the question had been under study now for more than six years; the present state of international affairs amply justified the decision; contributions to SUNFED would constitute only the smallest fraction of the sum now being spent on armaments, and most countries were overwhelmingly in favour of the proposal. Support had come from a number of industrialized countries as well as from the under-developed countries. Many bodies had also expressed general support for the idea, including the Commission of the Churches on International Affairs. Several industrialized countries had expressed their willingness to subscribe to SUNFED without making such a contribution dependent on world-wide disarmament. His delegation supported that view; the two questions were really quite separate.

40. Several of the industrialized countries had asked the less developed countries to state exactly what their wishes were in the matter. Such wishes were expressed in the thirty-nine-Power draft resolution. What they wanted above all was that something practical should be done to ensure the speedy establishment of SUNFED. The recommendations in the thirty-nine-Power draft were not likely to raise false hopes, since the measures suggested were purely preliminary. The sponsors were not trying to bring pressure on anyone. They hoped that the resolution would gain the fullest possible support.

The meeting rose at 1 p.m.

