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

*In the absence of the Chairman, Mr. Lychowski (Poland), Vice-Chairman, took the Chair.*

**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) (continued)**

1. Mr. ESFANDIARY (Iran) wished to comment on two aspects of the item under discussion, namely the function and timing of the Special United Nations Fund for Economic Development (SUNFED).
2. With regard to the first point, the Committee of Experts had recommended that SUNFED should render assistance primarily by grants-in-aid, but that it should also be entitled to make loans at normal rates of interest, repayable in local currency (A/2906, chap. IV). Several delegations had suggested that SUNFED should also be empowered to make interest-free loans repayable in the currency in which they were granted or in local currency and with a longer maturity than loans made by the International Bank for Reconstruction and Development. In their opinion it should also be empowered to advance loans repayable in local currency at a low interest rate.
3. The Iranian Government felt that SUNFED should concentrate on advancing long-term loans of, say, twenty-five to thirty years, bearing low rates of interest. It did not approve of outright grants, for two reasons: the grants would lead to a rapid depletion of SUNFED, and the policy of receiving grants did not encourage the adoption of projects with a high social priority which could be operated on a sound economic basis.
4. The representatives of the Bank had argued that a general programme of long-term, low-interest foreign exchange loans, by blurring the distinction between loans and grants, would inevitably tend to impair the integrity of international financial obligations and discourage normal lenders. The main point to be borne in mind was that the loans made by SUNFED should be

of such a nature that they did not compete with the operations of the other international agencies, especially the Bank. That could be assured through the choice of projects and the terms on which loans were granted. The Special United Nations Fund for Economic Development should be used to finance projects for which no loans or grants could now be procured. As for the terms, the provisions for repayment and the amount of interest charged should be more favourable. It would not be too difficult to define the functions of SUNFED in such a manner as not to disturb the operations of the other international credit agencies.

5. The second point was of great importance to his delegation. Recalling paragraph 6 of General Assembly resolution 923 (X), he considered that enough time had already been spent in discussing the project, and that the Fund could and should be established without much further delay. Almost all the under-developed countries and many industrial countries seemed to share that view. However, some of the industrialized countries had suggested an indefinite period of delay and had referred to their proposals for internationally controlled disarmament and their readiness to devote part of their savings from disarmament to the establishment of SUNFED.

6. His delegation was well aware that national defence still required vast expenditures which entailed a heavy burden of taxation and the curtailment or postponement of many desirable economic and social programmes. However, that objection to the immediate establishment of SUNFED could not be considered valid. According to figures cited in the general statistics of the statistical bulletins published by the Organization for European Economic Co-operation, the defence expenditure of the United States in 1955 was about \$40,000 million, that of the United Kingdom more than \$4,000 million and that of France about \$3,000 million. The initial capital suggested for SUNFED was \$250 million, which amounted to slightly more than 0.5 per cent of the United States defence expenditure and about 3 per cent of the defence expenditure of the United Kingdom and France combined. Assuming that the defence expenditure of the rest of the world, including the Soviet Union, was equal to that of the United States, the United Kingdom and France combined, the suggested initial capital of \$250 million would amount to about 0.25 per cent of the aggregate world defence outlay. In those circumstances, it was hardly reasonable to suggest that the establishment of SUNFED should await a major settlement of the disarmament problem. If each country contributed only 0.25 per cent of its defence expenditure, SUNFED could be put into operation without delay.

7. The representative of Iran recalled that resolution 724 (VIII), in which the General Assembly had established the principle of setting up an international fund to assist development and reconstruction in under-developed countries, had been unanimously adopted at

the 468th plenary meeting on 7 December 1953. Three years had passed since then and no action had been taken. Was it going to be necessary to spend another three years debating the technical niceties of SUNFED's organization without taking any action? His delegation hoped that that would not be so, and that the countries which had in the past objected to the immediate establishment of SUNFED would reconsider their position. If not, their good intentions with regard to the rapid development of the under-developed countries might be seriously questioned.

8. Mr. METHARI (Tunisia) said that his Government was particularly interested in the establishment of SUNFED.

9. Tunisia was an under-developed country whose economy had, during a long period of colonization, been subordinated to the interests of the colonial Power; in other words, the chief trend had been towards the exportation of raw materials and the importation of manufactured goods, accounting for the excessive development of trade and the lack of processing industries. Consequently there was imbalance between development in the north of the country, which was well advanced, and that of the centre and south which the Government was now seeking to promote. The direct result of that imbalance was particularly widespread unemployment: of 3.8 million inhabitants 400,000 were idle. The Tunisian Government was doing all it could to combat unemployment and to raise the level of living of the population as a whole. Furthermore, the balance of payments had shown a deficit for several years; the ordinary budget, which had hitherto shown a chronic deficit, had just been balanced for the first time, while more than 80 per cent of the funds for the capital budget came from abroad, chiefly from France.

10. The problems confronting Tunisia were therefore numerous and often very difficult to solve. However, the Tunisian people were realistic: while they belonged to the Arab World by their language, their religion and, to a large extent, their culture, their economic interests drew them to the West from whose fund of knowledge and experience a great deal could and should be learned. Tunisia was ready to co-operate with France on the basis of friendship and mutual assistance. Tunisia borrowed from France more than 10,000 million francs per annum for its capital budget. It was desirable, however, that such assistance should be granted without any ulterior motive; in any case, it was far from sufficient to satisfy the needs of a people determined to attain a standard of living of which so far it had been deprived. Tunisia lacked capital and technicians, and foreign countries were not giving it all the help it needed. It was therefore in the United Nations that it placed its hopes.

11. The establishment of SUNFED would enable the United Nations to increase still further the considerable help it was already giving. Once SUNFED was set up, many problems could be solved and many peoples would be able to some extent to throw off the economic domination of a number of more highly developed countries. The Special United Nations Fund for Economic Development could promote international solidarity and strengthen the position of small nations which were not at the same stage of development as the industrialized countries. The very fact that its establishment was contemplated proved that the industrialized countries were capable of shedding their egoism in order to help the under-developed countries. Their participation was, moreover, essential to the success of the undertaking.

In that connexion, all countries might follow the example set by France which, certain information appeared to indicate, had already decided on the amount of its contribution. Not less important, if SUNFED was to have solid foundations and to function effectively, was the participation in the work of the *Ad Hoc* Committee of the countries newly admitted to the United Nations. For the most part under-developed, those twenty countries had a very special interest in seeing SUNFED set up and its statute drafted. It was inadmissible that they should not be represented in the *Ad Hoc* Committee or that the latter should adopt measures without consulting them.

12. Nevertheless, although the interests both of the under-developed and of the industrialized countries demanded the establishment of SUNFED, the matter was still under study and while some progress had been made it had not been decisive. It was regrettable that some countries were still holding back, for the time had come to establish SUNFED with all possible speed. Too many countries had placed their hopes in it for the United Nations to be able to disappoint them without damaging its prestige.

13. His delegation, which had helped to prepare the draft resolution submitted by Afghanistan and twenty-two other Powers (A/C.2/L.300), reserved the right to speak again later in the debate.

14. Mr. RITTER-AISLAN (Panama) said that his delegation of course whole-heartedly supported the establishment of SUNFED.

15. The matter had been debated at length and in great detail, but he wished to comment on two specific points. In the first place, the expression "under-developed" was unsuitable and even somewhat disparaging. It would seem to imply the existence of fully developed countries—that was to say, countries in which neither poverty nor injustice existed. The truth was that different States progressed at different rates, or that certain States were at a disadvantage, economically speaking, in relation to others. A more realistic expression than the current label "under-developed countries" should therefore be used.

16. In the second place, the demand for economic development was not confined to certain regions whose needs, perhaps, were particularly striking. Latin America, for example, in spite of the great wealth ascribed to it, still contained vast areas untouched by technical and cultural progress, where the standard of living remained very low. Panama was among the least favoured of the Latin American countries; it was also among those which benefited least from outside assistance. It owed its achievements to its own efforts, and its requests for assistance, however justified and modest, had often met with outright refusal or inexplicable haggling. It so happened that its territory was cut by a canal vital for the defence of the democratic world: while it had brought Panama some benefits, it must not be forgotten that the canal had dislocated the country's economy and delayed the exploitation of its national resources. Panama, profoundly attached to democratic ideals, had willingly made that sacrifice in days of uncertainty; it was only fair that Panama should receive compensation in better times.

17. No one studying economic problems could be blind to the smallness of the contribution foreign companies had made to the Latin American countries or forget the international rifts some of them had caused. Above all, Latin America must not be regarded as a collection of small individual units developing in a disorderly and

anarchical manner. Latin America was one vast entity which required intensive and effective assistance.

18. Mr. CUTTS (Australia) recalled that during the general debate his delegation had expressed doubts about the advisability of setting up SUNFED at once. It considered that, so long as the States which would have to make the largest contributions did not feel able to assume firm commitments, there was little hope of accumulating sufficient capital to meet the needs of the under-developed countries. For the moment it seemed that the main contributors, and in particular the United States, felt compelled to make any promise of a contribution contingent on the progress made in the matter of disarmament. That being so, it was clear that the General Assembly could not act without running the double risk of damaging the very concept of international economic assistance, should the operations of SUNFED fail for lack of sufficient means, and of losing the goodwill of the main contributors and so jeopardizing the success of the enterprise by giving the impression that it was trying to bring pressure to bear on them in spite of their clear statements concerning their position.

19. The Australian delegation, for its part, felt that the matter called for much more careful study. It was clear from the report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2) that there was as yet no unanimity of views either on the structure of SUNFED or on the principles which should govern its operations. The Committee now had before it two draft resolutions (A/C.2/L.296, A/C.2/L.300) differing in some respect but both providing that the *Ad Hoc* Committee should prepare a draft statute for submission to the General Assembly at its twelfth session. That might well be taken to mean that the General Assembly was resolved to set up SUNFED without further delay, and that would be unfortunate for the reasons he had given. Moreover, the *Ad Hoc* Committee would have great

difficulty in carrying out that task, for the replies of Governments (A/AC.83/L.1 and addenda) were so divergent that they were unlikely to be of any assistance.

20. He would not attempt to analyse those replies in detail, but he could not forbear from pointing out by way of example that a large number of Governments contemplated entrusting the management of SUNFED to a body composed of representatives, in equal numbers, of two categories of countries: contributors and beneficiaries. Like the representative of Panama, he wished to protest against the growing tendency to divide Member States into two rival groups according to their degree of economic development. His delegation rejected such a concept of SUNFED's governing body, for it knew from experience that a rift would inevitably arise between the two groups with opposing interests: to establish SUNFED on such a basis would be to condemn it to failure.

21. He was sorry that his statement was somewhat negative, but he felt it impossible in present circumstances to express support for the immediate establishment of SUNFED. It would, in his view, be preferable to ask the *Ad Hoc* Committee, which had so far presented only an interim report, to continue its work and submit a final report to the General Assembly. It might well, for instance, consult Governments again in the hope of inducing them to reconcile their views. Only when the divergencies were removed could a start be made on the drafting of a statute with any hope of success.

22. Australia had given sufficient proof in other spheres of its goodwill towards the under-developed countries for it to be unnecessary for him to assure the Committee that his opposition to the draft resolution was based solely on the desire not to prejudice, by a premature decision, the attainment of an objective whose importance it fully recognized.

The meeting rose at 11.45 a.m.