



C O N T E N T S

	<i>Pages</i>
Agenda item 25:	
Economic development of under-developed countries (<i>continued</i>):	
(a) Question of the establishment of a Special United Nations Fund for Economic Development: summary by the Secretary-General of comments of Governments on the report of the Committee of Nine, report of Mr. Raymond Scheyven and report of the Economic and Social Council;	69
(b) Question of the establishment of an international finance corporation: report of the Economic and Social Council;	
(c) International flow of private capital for the economic development of under-developed countries;	
(d) Land reform	
Order of items on the agenda.....	71
Statement by the USSR representative regarding the Press release of 14 October 1954.....	71

Chairman: Sir Douglas COPLAND (Australia).

AGENDA ITEM 25

Economic development of under-developed countries (A/2686, A/2702) (*continued*):

- (a) **Question of the establishment of a Special United Nations Fund for Economic Development: summary by the Secretary-General of comments of Governments on the report of the Committee of Nine, report of Mr. Raymond Scheyven and report of the Economic and Social Council (A/2646 and Add.1-4, A/2727 and Corr.1, A/2728 and Corr.1);**
- (b) **Question of the establishment of an international finance corporation: report of the Economic and Social Council;**
- (c) **International flow of private capital for the economic development of under-developed countries;**
- (d) **Land reform**

GENERAL DEBATE (*concluded*)

1. Mr. CASTRILLO JUSTINIANO (Bolivia) said that all States, whether powerful or weak, rich or poor, regardless of their political ideology, now regarded economic development as a matter of the greatest importance.
2. The Bolivian Government had a special interest in economic development. In 1952, the Vice-President of the Bolivian Republic, Mr. Siles Zuazo, had described to the seventh session of the General Assembly (384th plenary meeting) the efforts then being made in that field by Bolivian intellectuals, owners of medium-sized

land holdings, miners and peasants after a long period of poverty and exploitation. Most of the measures adopted since 1952, such as the nationalization of the mines, land reform and the introduction of universal suffrage, had been directed primarily towards the country's economic development.

3. The Bolivian Government felt that Bolivia's economic development had to be founded chiefly on the exploitation of the country's natural resources. Bolivia was one of the richest of the under-developed countries. It had important mineral resources and land suitable for stock-farming and cultivation. Nevertheless, under present conditions, the country's economic development was too great a task to be accomplished without multi-lateral or bilateral economic aid.

4. That great work of international co-operation, which would be profitable to rich and poor countries alike, had to be undertaken under the auspices of the United Nations. The League of Nations had not survived because it had concerned itself almost exclusively with political problems. The United Nations had to avoid making the same mistake. The establishment of the Special United Nations Fund for Economic Development should not therefore be made contingent on world disarmament, which was a political matter, since the peoples of the world would then lose confidence in the United Nations.

5. The rich countries, particularly the United States of America, without whose contribution SUNFED could not be established, should change their attitude. The bilateral aid offered by the United States, of which Bolivia had been one of the recipients, was not enough. Although the Latin-American countries had enormous development potentialities, they would need foreign investments of \$2,800 million a year merely to maintain an annual rate of economic growth of 3.3 per cent.

6. It would be incorrect to say that the rich countries' contributions would be merely a gesture of solidarity. In 1953, the value of Latin-American production had been \$46,000 million. The industrialized countries had certainly benefited from that production, which consisted mostly of primary commodities, and the Latin-American countries had thus contributed to the development of the industrialized countries.

7. When the country had been under Spanish rule, Spain had drawn nearly 3,000 million pesos, or about \$50 million, from Bolivia in specie alone. That sum seemed insignificant today but it had enabled Spain to inaugurate the mercantile policy subsequently adopted by the rest of Europe. A striking example in the twentieth century was offered by the Patiño family, which today controlled almost all the tin mining and processing companies in the world. A Bolivian fortune had thus provided the foundation for a world cartel and Bolivia had contributed to the accumulation of capital in the industrialized countries.

8. In addition to the nationalization of mines, the Bolivian Government, in its effort to stimulate economic development, had undertaken a land reform. Bolivia had two million agricultural workers as compared with 150,000 workers in mining and industry. The peasants were illiterate; they had never heard of metal ploughs; they chewed coca leaf to forget their misfortunes and suffered from such diseases as typhus and smallpox. Before the land reform, one family had owned six and a half million hectares of land equivalent to the area of Belgium and Holland combined. For over a century, the principal concern of the politicians had been to alienate the lands of the Indian peasants. That was the explanation of the many *coups d'état* and uprisings in Bolivia's history. Under the land reform, the great estates had been given back to the Indian communities. Small and medium-sized land holdings and co-operative land ownership had been maintained. The purpose of the land reform had been not only to effect a fair distribution of land, but also to raise the people's standard of living.

9. For a country like Bolivia, which sought to develop its agriculture, the establishment of SUNFED would be of particular importance. The fund would offer long-term, low-interest loans which were especially useful in agriculture. In Latin America, it was even more difficult to obtain credit for agricultural purposes than for industry or trade. Some countries had obtained loans to finance irrigation works and road construction, but they had been unable to obtain the capital needed to buy fertilizer, seeds and agricultural machinery, although relatively small sums were required.

10. The sum of \$250 million thought necessary to enable SUNFED to begin operations was not very large. For that reason, the use made of the available capital would have to be carefully determined. The Bolivian delegation would make comments and suggestions on that point at a later stage. It was in favour of the idea of contributions made in local currency, and thought that contributions might be made in the form of capital and consumer goods as well as in money.

11. The Bolivian Government was also in favour of the establishment of an international finance corporation which could draw on private foreign capital and channel it towards the under-developed countries. The nationalization of the mines had resulted in mistrust of Bolivia in certain financial circles, but it should be noted that the measure had not affected foreign investment. Foreign capitalists had received assurances regarding the repatriation of capital and the transfer of profits. The Bolivian Government knew that private foreign capital was essential for the development of the country's resources. Many enterprises in Bolivia offered opportunities for highly profitable investment. The agreements for the payment of compensation, signed by the Government after the nationalization of the mines, had been scrupulously observed. Bolivia needed private capital to raise the people's standard of living, reduce illiteracy, organize social services, develop transport and develop its sources of electric power. It would be unable to obtain the capital required without the international finance corporation.

12. Tin accounted for 80 per cent of Bolivia's trade. In 1950, the price of tin had reached a record \$1.84 per pound, but in 1953 it had fallen to \$0.78, representing a drop of 50 per cent. Despite its financial difficulties, Bolivia had prepared investment plans to

increase its production and eliminate the need for certain imports. Even so, it had been necessary to continue to import fuel. The implementation of the plans necessitated great sacrifices on the part of the population. In order to develop Bolivian economy, the price of tin had therefore to be stabilized.

13. In conclusion, he expressed the hope that the United States would change its position and agree to contribute to SUNFED, not only because of its importance in the world's economy but also because of the importance of the Latin American countries to its own economy.

14. Mr. ENCINAS (Peru) deplored the inertia that was paralysing the United Nations' work on the economic development of the under-developed countries, and stressed the dangers it involved. Since the adoption of the programmes of technical assistance nothing had been done to promote the financing of the economic development of the under-developed countries. All international action might come to a standstill if the initial impetus was not continued. All countries, whether they imported or exported capital, recognized that measures to promote the economic development of the under-developed countries were essential. No agreement had, however, been reached on the nature and timing of the measures. Further postponement of the final preparation of a positive development programme was bound to disappoint a large section of public opinion and undermine confidence in the United Nations. That confidence had already been shaken by the existing political disagreement. The United Nations would serve no useful purpose if it did not take effective action in the economic and social fields. The Peruvian delegation believed that the Committee should explore every possibility of achieving international agreement on economic matters.

15. The need for such agreement was increased by the deterioration of the world economic situation and the growing gap between the industrialized and the under-developed countries. The Peruvian delegation accordingly reaffirmed its readiness to support any measure designed to facilitate the financing of economic development. It had supported from the very outset the establishment of the Special United Nations Fund for Economic Development and would also support the proposal to set up an international finance corporation. It was pointless to discuss which of the two organs should be set up first. Neither of the two organs would be a panacea. Moreover, in view of the substantial economic, social and demographic differences between the under-developed countries, the necessary stimulus to economic development could more appropriately be given by SUNFED in some cases and by the finance corporation in others.

16. The spontaneous flow of capital and international trade had in the past provided the means for financing economic development. As regards the flow of capital, as the Peruvian delegation had already pointed out, Peruvian legislation was designed to encourage the influx of foreign capital. With regard to foreign trade—the basic source of capital formation—the Peruvian delegation wished to state, as it had done on other occasions, that no programme for the financing of economic development would succeed if it was not based on unrestricted trade which took into account economic development needs.

17. In that connexion, the Peruvian delegation felt bound to voice its disappointment. From its inception,

the United Nations had been aware of the importance of organizing international action with a view to harmonizing the needs of international trade with those of economic development and had endeavoured to set up the International Trade Organization for that purpose. Its efforts had culminated in the drafting of the Havana Charter for an International Trade Organization. It was regrettable that, since the proposal for the establishment of the ITO had been abandoned and the Havana Charter had fallen into oblivion, nothing apart from the General Agreement on Tariffs and Trade (GATT) had been done to remedy the disequilibrium in international trade. It was not until its eighteenth session that the Economic and Social Council had decided in resolution 557 F (XVIII) to set up a Permanent Advisory Commission on International Commodity Trade, a decision which the Peruvian delegation wholeheartedly supported.

18. Like multilateral agreements, bilateral trade agreements must be founded on the principle of equality and stability. That principle was the cornerstone of any system of economic development. To disregard it would be to make a mockery of the aspirations of the peoples and would paralyse the natural and legitimate development of the raw material producing countries.

19. He thanked Mr. Scheyven for his excellent report (A/2728 and Corr.1) and the additional observations he had submitted (295th meeting) to the Committee. The Peruvian delegation fully shared Mr. Scheyven's views, particularly with regard to the moral, political and economic imperatives for international action to promote the economic development of the under-developed countries. As in the case of disarmament, only the conscience of mankind could overcome the prejudices which still existed and could clear the way for a really new order. Only a moral renaissance would make it possible to overcome the technical, legal, economic and financial difficulties standing in the way of both disarmament and the financing of economic development.

20. Nevertheless, a perusal of Mr. Scheyven's report could not fail to arouse profound misgivings, since the only conclusion that could be drawn from it was that the countries best able to contribute to the SUNFED were not at present prepared to do so. The under-developed countries were therefore in a very difficult position, as they ran the risk of either inducing the United Nations to adopt an unrealistic resolution or of allowing it to sink deeper into its present inertia.

21. In order to facilitate the Committee's work, the Peruvian delegation wished to make a number of observations. Firstly, as support for the establishment of SUNFED seemed to be growing in the capital exporting countries, the proposal should, as Mr. Scheyven had suggested, be given the widest possible publicity. The United Nations not only should not drop the proposal but should be in a position to implement it as soon as it became feasible or essential to do so. Secondly, the Committee should consider how the countries which were prepared to participate in the establishment of the special fund at the present stage could do so. Lastly, the Committee should consider, in co-operation with the Inter-American Economic and Social Council, the possibility of gradually establishing regional funds which might be administered within the framework of the United Nations regional economic commissions and which might be merged into a general fund if that were justified in the light of experience.

22. His delegation was not submitting a formal proposal on that matter. It had, however, wished to lay its views before the Committee because it thought that the Committee should take a realistic view of the situation and avoid economic dogmatism. In economic matters, international action must be guided primarily by pragmatic considerations, and if it proved to be easier to establish the finance corporation than the fund, the corporation should be given priority. The Peruvian delegation would not give way to pessimism and was certain that the United Nations would sooner or later succeed in laying the foundations of an economic programme which would really fulfil the aims of the Charter of the United Nations.

Order of items on the agenda

23. The CHAIRMAN, having declared the general debate closed, invited the Committee to decide on the order in which they would examine the various items on the agenda. The representative of the United States of America had expressed (289th meeting) a wish that item 25 (d), land reform, be discussed first.

24. Mr. DALPONTE (El Salvador) informed the Committee that the Latin-American delegations had decided, at an unofficial meeting held the previous day, to support the United States request.

25. Mr. VAN DER SCHUEREN (Belgium) formally proposed that the Committee follow the agenda adopted at the 289th meeting of the session and take item 25 (a) first. A decision to do so would avoid a long procedural debate. Moreover, as the debate had so obviously centred on the proposal to establish the Special United Nations Fund for Economic Development that Mr. Raymond Scheyven had been invited to submit his report in the middle of the general debate, consideration of item 25 (a) would constitute the logical continuation of the general debate. A further reason for urging acceptance of that proposal was the fact that Mr. Scheyven was due to return to Belgium at the beginning of November to resume his parliamentary duties.

26. Mr. STRAUS (United States of America) said that he would gladly withdraw his initial proposal in deference to Mr. Scheyven's wish.

27. Mr. DALPONTE (El Salvador) and Mr. ENCINAS (Peru) stated, on behalf of the Latin American delegations, that they accepted the Belgian proposal out of courtesy to Mr. Scheyven.

28. After a brief discussion in which Mr. BRILEJ (Yugoslavia), Mr. FISCHER (Union of South Africa), Mr. ARMENGAUD (France), Mr. UMARI (Iraq), Mr. MANSOUR (Iran) and Mr. EL-TANAMLI (Egypt) participated, the CHAIRMAN proposed that the Committee should not amend the adopted order of items and should consider item 25 (a) first.

It was so decided.

Statement by the USSR representative regarding the Press release of 14 October 1954

29. Mr. A. P. MOROZOV (Union of Soviet Socialist Republics) stated that the United Nations Department of Public Information's press release of 14 October had distorted the position of the Union of Soviet Socialist Republics with regard to the explanation of Mr.

Scheyven's speech. He wished to state that the Union of Soviet Socialist Republics had never linked the question of the fund for financing the economic development of the under-developed countries with that of world disarmament, as was clear from the summary records of the meetings of all the United Nations organs which

had dealt with the question of the fund and, in particular, the last statement by the Soviet delegation, made at the 294th meeting on 13 October 1954, during the general debate.

The meeting rose at 4.50 p.m.