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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.331/Rev.1, A/C.2/L.354) (continued)

1. Mr. SCHMIDT (Brazil) said that the example of Brazil illustrated both the potentialities and the problems of a country in the initial phase of economic development. Some regions were still under-developed while in others, such as the state of São Paulo, per capita income had reached a level comparable to that in some European industrialized countries. The problems were great but, under the leadership of President Kubitschek, the country had embarked on a realistic programme for the development of its immense territory. In the interests of unification, the national capital was being transferred to the geographical centre of the country and roads were being built to link it to all the principal cities. In addition, the Government had set specific targets to be achieved by 1960 in the development of hydroelectric power, coal production, road and rail construction, and coastal shipping.

2. In planning economic development programmes, the example of the industrially advanced countries was of little help as conditions had changed substantially since the industrial revolution of the nineteenth century. Left to themselves, market forces today tended to distort the distribution of the income from world production. In the industrialized countries themselves corrective measures, such as the United States farm price support policy, had been taken to deal with the situation, but at the international level, although the impact of market forces on the export earnings and import costs of the under-developed countries was well known, the need for remedial action was still not sufficiently recognized.

3. International action, on the lines envisaged in the proposal on the Special United Nations Fund for Economic Development was needed to break the vicious circle which doomed the under-developed countries to perpetual under-development. For that purpose, capital was needed on a large scale to supplement the domestic savings of the under-developed countries whose own resources were barely sufficient to cope with rapid and accelerating population growth. In the report, Measures for the Economic Development of Under-developed Countries (E/1986)^{1/} the requirement had been estimated at \$14,000 million annually, but the amounts actually made available had been far below that figure. International private capital had been only a drop in the bucket. Over a three-year period, for example, United States private investments in under-developed countries had amounted to only \$1,800 million, nearly 50 per cent of the total being invested in the oil industry. Similarly, loans to the under-developed countries by the International Bank for Reconstruction and Development in the past ten years had totalled only \$1,000 million and that figure could not be greatly increased if loans by the Export-Import Bank were included.

4. In that connexion, he believed that the Bank could furnish more aid to the under-developed countries without any radical change in its articles of agreement. Loans to Latin America, for example, in the 1956-1957 financial year had been 33 per cent less than in the previous year. The position would be improved if the requirements concerning government guarantees were made more flexible and if the Bank considered the possibility of loans to finance local currency costs. The Bank's main criterion should in fact be whether a loan would increase the capacity of the under-developed countries to produce goods and services. It was also regrettable that in Latin America the Bank had refused to make loans for general programmes, forgetting that such programmes were needed to solve the general problems of the under-developed countries.

5. His delegation believed that the problems of the under-developed countries would be aggravated in the coming year. The deterioration of the terms of trade, the decline in the prices of coffee and non-ferrous metals, and the shortage of dollars would undoubtedly assume dangerous proportions in the near future. Nevertheless, desirable as it was that preventive action should be taken immediately, his delegation would be satisfied if concrete solutions could be found during the next twelve months.

6. With respect to the draft resolutions before the Committee (A/C.2/L.331 and A/C.2/L.354), he expressed the view that they were complementary rather than contradictory. He hoped that it would be possible to work out a compromise which would enable the under-developed countries to receive increased tech-

^{1/} United Nations publication, Sales No.: 1951.II.B.2.

nical assistance, as envisaged in the United States draft, and also give them some financial assistance, even if initially on a limited scale, as provided in the eleven-Power draft.

The meeting was suspended at 3.55 p.m. and resumed at 4.55 p.m.

7. The CHAIRMAN invited the Committee to consider the revised eleven-Power draft resolution (A/C.2/L.331/Rev.1) and the United States amendments (A/C.2/L.360).

8. Mr. JUNG (India), introducing the revised joint draft resolution, observed that when he compared the original eleven-Power draft with the attenuated scheme provided for in the revised text, he was not very happy. The new proposal would not be an ideal one from the sponsors' point of view, but they had the consolation that they had sincerely tried to reach a compromise and he hoped it would be reached. In that connexion, he appreciated the co-operation and understanding shown by the United States delegation but noted that certain differences of opinion still existed, on fundamental issues.

9. The revised joint draft resolution retained some features the sponsors considered essential and also incorporated some integral parts of the United States scheme. A deliberate attempt had been made to avoid unnecessarily emphasizing certain points which might only have led to disagreements. His delegation had envisaged a compromise through a natural staggering of the proposed institution's operations because of the present unavailability of funds; future expansion of activities would be left to the General Assembly's discretion. The sponsors had made some significant concessions and felt that the revised draft was now reasonable and feasible and would give the United Nations the foundations of a structure which could later be expanded if the General Assembly so decided. In view of the resources expected to become available, the proposed Special Projects Fund would limit its activities to those envisaged in the United States draft (A/C.2/L.354). His delegation had consistently believed that those activities could form part of the proposed fund's functions.

10. In the revised text, operative paragraph 1 of section II was organically and integrally linked with section III; his delegation, therefore, attached great importance to both. Paragraph 2 of part B dealt with the situation arising out of unavailability of sufficient funds.

11. Turning to the United States amendments to section II, he announced that the sponsors accepted the second and third amendments. The first amendment, however, emphasized a certain point of view in proposing that the words "technical assistance and development programmes" be replaced by "programmes of technical assistance and development". The sponsors could not accept that change and, instead of proposing an amendment to the United States amendment, suggested that the wording should remain as it was.

12. Mr. JUDD (United States of America) paid a tribute to the sponsors of the revised joint draft for their efforts to produce a generally acceptable text. In making its original proposal for a Special Projects Fund, his delegation had envisaged an enlargement of the Expanded Programme of Technical Assistance, but had agreed in the course of informal discussions that the

fund should be part of the whole United Nations technical assistance programme. As he had stated at the 492nd meeting, his delegation was opposed to the immediate establishment of SUNFED in the belief that it would be unrealistic and impractical at the present time. The Proposed Special Projects Fund would not be a substitute for SUNFED but would, he felt, lay the foundations on which development could take place with funds from all sources. It would not be a first step towards, or involve a commitment to establish, a capital development fund. There was the hope, however, that if the Special Projects Fund proved successful and world conditions improved to a sufficient extent it would be possible to proceed with a capital development fund.

13. His delegation could not, however, be put in the position of agreeing at the present stage to the inevitability—gradual or staggered—of such a fund. Although his delegation had yielded on the question of the Special Project Fund being an enlargement of the Expanded Programme, it could not accept a change in the basic nature of the proposal that would extend beyond the technical assistance and technical development field. His delegation's amendments had been submitted with that consideration in mind. The change proposed in his delegation's first amendment was intended to satisfy the understandable concern of other countries and at the same time to avoid raising false hopes.

14. He was not criticizing other Governments for believing in SUNFED and for expressing the hope that the joint draft resolution might ultimately lead to its establishment, but he could not accept any implication that the Special Projects Fund could be used for capital development. To do so would destroy its effectiveness in the field of technical development and only cause disappointment. The General Assembly could make changes later, and section III of the revised text provided that the Assembly should review the scope and future activities of the fund. While there was no conflict between the proposed Special Projects Fund and SUNFED, there was no organic relationship between them. If the language of the joint draft resolution was ambiguous, the United States delegation would not be able to support it. No country had made greater efforts than the United States to assist the under-developed countries and his delegation hoped that the Committee would not fail to take action to assist the long-suffering peoples of the world.

15. He was grateful to the sponsors of the revised joint draft resolution for accepting his delegation's second and third amendments and hoped that the first amendment would also be accepted. The revised eleven-Power draft had changed the basic character of his delegation's proposal, and if the amendment was not adopted, it would be impossible for his delegation to support it.

16. Mr. JUNG (India) felt that paragraph 2 of section II adequately reflected the ideas just expounded by the United States representative. Paragraph 1 of section II was closely linked with section III. There were, in paragraph 1, two important qualifications which should not be overlooked. The first consisted in the words "subject to the conditions prescribed hereunder"; the second consisted in the content of section III—in effect one of the "conditions" referred to—according to which, only when the resources available were considered sufficient by the General Assembly to warrant entry

into the field of capital development, would it review the scope and future activities of the fund and take such action as it might deem appropriate. Those qualifications, in his delegation's view, ought to be regarded as sufficient and his delegation could not accept additions to them.

17. As to the crucial phrase "technical assistance and development programmes" he could only say again that the sponsors had done their utmost to remove from the draft any emphasis, whereas the United States delegation was now endeavouring to insert into it an emphasis in a direction to which the sponsors were basically opposed. He would appeal to the United States delegation similarly to eschew emphasis, for the intention of the proposed amendment would appear to be positively to confine the purposes of the fund to technical assistance and technical development, and that intention, as was well known, was diametrically opposed to the views of the sponsors of the joint draft.

18. Sir Alec RANDALL (United Kingdom) observed that the whole question of the future scope and activities of the fund was, under section II of the draft, clearly left to the decision of the General Assembly, although members were perfectly entitled to indicate, as the representative of India had done, what they thought such a fund if set up, should do in the future. There ought assuredly not to be any attempt in the draft resolution to commit the General Assembly in advance in the decision it would have to take. Yet it was clear that the United States delegation regarded the present wording of section II as such a commitment with regard to the future. His delegation well understood the impatience of the sponsors of the draft resolution and of those who had so long been supporting the cause of SUNFED but the Committee must face up to the reality of the situation which was that the present wording of that paragraph was likely to prejudice the support of the United States. It would be a thousand pities if the initiative of the United States, which his delegation had welcomed as a constructive effort to find a way out from the present impasse, should fail in its purpose. If it failed, it would of course not be a matter of mere words, as the United States representative had pointed out. It was of paramount importance, in his delegation's view—and in that view it was upheld by Mr. Scheyven, the eminent Belgian economist, whose advice in that matter had been heeded by the Committee and by the Council in the past—that the vote on SUNFED should not divide the Committee into two opposing groups, one of them consisting of the potential major contributors to the fund. He would therefore urge the Committee to give serious consideration to the United States representative's frank explanation of the meaning of his delegation's amendment.

19. Mr. HASSAN (Sudan) felt that the debate on the subject of SUNFED was reaching a crucial stage: those interested in the fund stood to lose or gain all. His delegation had warmly welcomed the United States proposals for an enlarged technical assistance programme and for a Special Projects Fund, particularly as those proposals were, in the United States representative's own words, not intended as a substitute for or an alternative to SUNFED—a project for which his delegation had even more enthusiasm. The two schemes were in fact complementary and the sponsors of the draft resolution felt that it was important in the resolution itself to make it clear that the door was left open

for the conversion of the fund into a capital development fund at some time in the future. He appealed to the United States delegation to consider whether the safeguards and qualifications with which that provision was hedged about were not sufficient to win its support for the draft as it stood.

20. Mr. ROGERS (Canada) felt that there was a clear-cut alternative before the Committee: either to adopt a resolution which would in effect establish SUNFED, but a SUNFED limited in its activities so long as funds remained limited, which would be the case so long as the major potential contributors were unable to contribute, or to adopt a resolution establishing a fund which would have a certain amount of money at its disposal and would be able to do certain things and might eventually be able to assume the functions of the proposed SUNFED. Canada had always taken the view that it would be pointless to establish a United Nations development fund to which the United States would not be able to contribute. On the other hand, as its representative had said at the Committee's 500th meeting, if the United States initiative could be shaped into a generally acceptable proposal and if suitable organizational arrangements were made, the Canadian Government would give sympathetic consideration to seeking parliamentary approval of an appropriate contribution. His delegation very much hoped that the Committee would reach a general agreement so that it might seek that approval.

21. Mr. ARMENGAUD (France) observed that the whole debate had now resolved itself into a discussion of the placing of a single word in paragraph 1 of section II of the revised eleven-Power draft. He wondered whether it was worth risking the loss of the United States' support—and so of \$100 million—by haggling over the position of that one word. By accepting the proposed amendment the under-developed countries would assure themselves of assistance in the carrying out of all the preliminary work to economic development. At the same time, the door would be left open for a review of the scope and activities of the fund and its possible conversion to capital development activities as and when that seemed warranted.

22. Mr. JUNG (India), while expressing the gratitude of the sponsors of the draft resolution for all the help given them by the French delegation, felt compelled to point out that the under-developed countries did not see themselves as beggars holding out their bowls. They were not prepared to take whatever was offered simply because it was offered. The manner of the giving was as important to them as the gift itself. They had very much appreciated the United States proposal within its own context—that of technical assistance. In the present context, that of economic development as such, that proposal was not enough. If the United States amendment to paragraph 1 of section II were adopted, the draft resolution could no longer be discussed under agenda item 28. A question of principle was involved and those committed to the principle of SUNFED could not tolerate the closing of the door to the possible evolution of the proposed fund into a capital development fund.

23. Mr. JUDD (United States of America) assured the Committee that his delegation had no intention whatever of excluding the possibility that the fund might develop into a capital development fund when the conditions laid down in section III of the draft resolution were

met, and that, of course, included action by the General Assembly. What it wanted made absolutely clear, however, was that the fund described in paragraph 1 of section II would not, before that time, be authorized to engage in capital development activities, but would confine itself to technical assistance and technical

development work, which was, as everyone recognized, a first step in the process of general economic development.

The meeting rose at 6.30 p.m.