



Wednesday, 12 October 1955,
at 3.25 p.m.

New York

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Agenda item 24: Economic development of under-developed countries (continued):	
(a) Question of the establishment of a Special United Nations Fund for Economic Development: report submitted in accordance with resolution 822 (IX) of 11 December 1954;	
(b) Question of the establishment of an International Finance Corporation: report of the Economic and Social Council;	
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Chairman: Mr. Ernest G. CHAUVET (Haiti).

AGENDA ITEM 24

Economic development of under-developed countries (A/2955) (continued):

- (a) **Question of the establishment of a Special United Nations Fund for Economic Development: report submitted in accordance with resolution 822 (IX) of 11 December 1954 (A/2906);**
- (b) **Question of the establishment of an International Finance Corporation: report of the Economic and Social Council (A/2943);**
- (c) **Programmes of technical assistance: report of the Economic and Social Council (A/2943)**

GENERAL DEBATE (continued)

1. Mr. HAYS (United States of America), quoting Article 55 of the United Nations Charter, emphasized that it was vital to world peace and stability that all peoples should have an opportunity of benefiting from the advances of modern technology. In the matter of economic development, the difference between the so-called "developed" and "under-developed" countries was one of degree rather than of kind. That difference must nevertheless be reduced and rising expectations must not lead to disillusionment or misunderstanding.

2. Although a country's economic development must be brought about primarily by its own efforts, international co-operation could play a useful part, as the experience of recent years had demonstrated. Technical assistance programmes provided a good illustration. In that connexion, he was glad to announce that his Government would pledge a contribution of \$15,500,000 to the United Nations Expanded Programme of Technical Assistance for 1956, subject to the sole limitation that that sum was not to exceed 50 per cent of the total contributions.

3. In order to correct any possible misconceptions resulting from remarks made by a member of the Second Committee at a previous meeting, to the effect that the United States Congress had attached conditions to that country's participation in the Expanded Programme of Technical Assistance, he would refer to United States Public Law No. 138 of 8 July 1955, the last paragraph of which contains a broad policy declaration that "the Communist régime in China has not demonstrated its willingness to fulfill the obligations contained in the Charter of the United Nations and should not be recognized to represent China in the United Nations". That expressed the sense of the Congress but imposed no limitation on the United States contribution to the Expanded Programme. The further sentiment of Congress, likewise expressed in Public Law No. 138, was that the purpose of the United States contribution to that Expanded Programme was to help "peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence".

4. He went on to emphasize the importance of the contribution the various technical bodies of the United Nations and the specialized agencies, particularly the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), were making to the economic development of the under-developed countries.

5. Turning to the question of financing the economic development of the under-developed countries, he stressed that lack of capital was by no means the only, or even the most important, obstacle to progress. It was, nevertheless, a fact that lack of capital was preventing many countries from pursuing their economic development at the rate they considered desirable. The United States Government thought that such countries should seek to attract private foreign investment, which it regarded as the most natural and the best source of supplementary capital in such cases. A country which offered reasonable guarantees to foreign investors could generally obtain capital on acceptable terms.

6. The United States Government recognized, however, that there were projects which were unlikely to attract private capital but whose execution was essential to a country's development. Special lending institutions had been set up to provide for the financing of such projects: the International Bank for Reconstruction and Development and the Export-Import Bank. The United States Government was gratified by the progress made towards the establishment of the International Finance Corporation and hoped that it would begin operating in the near future.

7. Under the various bilateral agreements concluded since the war, the United States had made a total of some \$6,500 million available to the less-developed

areas of the world. The aid programme recently approved by Congress provided for the grant of a total of \$162 million to the countries of Asia, Africa, and Latin America, while \$127,500,000 had been appropriated for bilateral technical co-operation programmes.

8. He drew attention to a report¹ recently published by FAO on a pilot study in India of the possibilities of using surplus foods to promote economic development. The United States Government thought that those possibilities warranted further exploration. Under United States Public Law 480, 1954, it was authorized to participate in international co-operation of that kind. Since the enactment of that law, a little over a year earlier, the United States had signed 21 agreements with 17 Governments involving the purchase of surplus agricultural commodities to a total value of \$360,800,000. A high proportion of the foreign currency obtained from the sale of those commodities had been used for loans or grants to promote multi-lateral trade and economic development.

9. The rapid progress being made in the sphere of the peaceful uses of atomic energy held out wide prospects for the future and its implications could not yet be clearly foreseen. The United States Government had already entered into many agreements with other countries for the provision of equipment and fissionable material. It hoped that an international atomic energy agency would soon be established for the benefit of all. Lastly, disarmament should release extensive resources for economic development.

10. Mr. BORGES (Norway) said that the economic progress achieved by the countries of the world as a whole during the past two years compared well with earlier periods and was perhaps the greatest achieved in modern times. Norway was also encouraged by the progress made in international co-operation and it paid a tribute to the Secretary-General for the vital part he had played in that matter.

11. There were, however, a few shortcomings. The countries of the Middle East had not yet set up machinery to help them to solve their common problems. In the Far East, the Chinese mainland was still excluded from the work of the Economic Commission for Asia and the Far East (ECAFE). Serious economic problems still persisted; except in Western Europe, little progress had been made towards greater freedom of trade and Norway considered that further steps should be taken, at both the international and the regional level, to end the restrictions which Governments and private enterprises still imposed on trade. The problem of stabilizing the prices of primary products, which was still unsettled, must be approached more realistically. Lastly, the expansion of international trade was a long-term undertaking which called for patient and well-considered efforts.

12. Turning to the economic development of the economically backward countries, he pointed out that it was impeded by lack of capital. According to the calculations of a United Nations expert group, which were supported by calculations made by FAO, a total of \$12,000 million to \$14,000 million a year in external capital was required for that purpose. In recent years, the capital inflow had amounted to not more than \$1,000 million to \$2,000 million, but it was gratifying

to note that with the help of the recently approved United States programme for economic aid to the Far East, the figure would shortly be between \$2,000 million and \$3,000 million.

13. The Norwegian delegation likewise was glad to note that assistance to under-developed countries within the framework of the United Nations, although very modest in comparison with the external aid measures undertaken outside the Organization, had also increased. The International Bank was now providing loans to under-developed countries at a rate of \$150 million a year. With regard to the International Finance Corporation, he hoped that the Committee would support its early establishment. The Expanded Programme of Technical Assistance too, was constantly increasing, though his country thought it was still inadequate. Norway had trebled its contribution and it hoped that now that the Expanded Programme had proved its usefulness, those countries which had not so far brought their contributions up to an appropriate level would re-examine their position. It was all the more important to strengthen the technical assistance programme since the Special United Nations Fund for Economic Development (SUNFED) showed little sign of materializing in the near future. It would clearly be unwise to press for the establishment of the Special Fund in circumstances which might be harmful to the promotion of international understanding and goodwill. Nevertheless, the Norwegian Government saw no reason for postponing the decision to set up the Special Fund and was prepared to participate. His delegation felt that at the present session the General Assembly should take stock of the progress made, adopt resolution 583A (XX) of the Economic and Social Council on SUNFED and hold itself in readiness for the larger possibilities which might arise out of developments in disarmament.

14. With regard to the application of atomic energy to the economic development of under-developed countries, Norway was prepared to provide training facilities, under the technical assistance fellowship programme, for a few qualified students at the atomic plant at Kjeller, where a reactor had been in operation since 1951.

15. The financial aid aspect of the economic development of under-developed countries was too often over-emphasized. Some of the countries in economically backward areas had achieved good progress with a minimum of outside assistance. In the opinion of the Norwegian delegation, the economic development of a country depended first and foremost on that country's own efforts, and external financial aid was only a supplement. It was, nevertheless, important that the United Nations should contribute by giving advice and encouraging collective action to promote development. That should be the task of the Economic and Social Council during the coming year.

16. Mr. HSIA (China) congratulated the Chairman, Vice-Chairman and Rapporteur on their election.

17. Turning first to the International Finance Corporation, he said that for financial reasons his Government was for the time being not in a position to participate in the scheme, though it was pleased that the Corporation was to be set up shortly. The Chinese delegation joined with the other delegations in thanking those Members, and especially the United States, whose efforts had made the Corporation possible. Thanks were also due to the International Bank for Recon-

¹ Food and Agriculture Organization of the United Nations, *Uses of Agricultural Surpluses to Finance Economic Development in Under-Developed Countries, a Pilot Study in India*, Commodity Policy Studies No. 6, June 1955, Rome, Italy.

struction and Development for the part it had played in drawing up the Articles of Agreement, which had the general support of his delegation. Nevertheless, China associated itself with the remarks made by several delegations in the Second Committee and in the Economic and Social Council concerning the treatment of public enterprises. The Chinese delegation still felt that no hard and fast rules should be laid down on the question whether the Corporation should or should not extend its aid to public and semi-public enterprises. While the main object of the Corporation was to assist private enterprises, it should be borne in mind that many under-developed countries had a large public sector as well.

18. Turning to SUNFED, he expressed his delegation's thanks to the new Committee of Nine, and especially to its Chairman, Mr. Scheyven, for their enthusiasm and efforts which had brought SUNFED a big step nearer to realization. All delegations, without exception, had pledged support for SUNFED in principle; the next step was to determine how to hasten its establishment.

19. The Special Fund could not do without the support of the more highly developed countries. The attitude of the major industrial Powers was not yet known, but the indication was that, rightly or wrongly, they still linked the establishment of SUNFED with the achievement of internationally supervised worldwide disarmament. That attitude was valid in a period of full employment, when industrial countries had to choose between rearming and assisting development abroad, but in times of unemployment, there was no reason why the two activities should not go hand in hand.

20. For the time being, however, it would be well to discount the possibility of material support from the great industrial Powers and to fall back on the resources of the under-developed countries themselves and the support already pledged by other industrial countries. It must be admitted, however, that there were only two cases in which contributions by the under-developed countries would be of value: first, if capital was transferred from under-developed countries where the marginal productivity of capital was low to other under-developed countries where it was higher, with an inevitable net increase in the sum total of world output; secondly, if some under-developed countries which had a temporary surplus of capital could place it at the disposal of other under-developed countries through SUNFED. Moreover, the contributions of the under-developed countries might be necessary to make up any deficiency in the initial capital of the Special Fund. The fact remained that the contributions of the under-developed countries to SUNFED would represent a mere transfer of resources from one under-developed country to another and would not increase the sum total of capital available to them as a group. In that respect, there was a significant difference between SUNFED and the International Finance Corporation. Contributions to the Corporation from the under-developed countries might result in a net increase in the amount of capital available to the under-developed countries as a whole, since the Corporation would be able to stimulate the international flow of private capital.

21. The main task at present was to determine the conditions on which the Special Fund could be estab-

lished. As would be remembered, there had been conflicting views in the Committee the previous year, and in the Economic and Social Council on the expediency of proceeding forthwith with the drafting of a statute for SUNFED. The result of the compromise in the Committee was the report of Mr. Scheyven and the Committee of Experts (A/2906), while the Economic and Social Council had decided by resolution 583A (XX) to invite the comments of Governments on the experts' report and to recommend the establishment of an *ad hoc* committee to analyse the comments received. The Chinese delegation would support the Council's recommendations if they should come before the Committee for approval. He felt, however, that the primary task was to revise the experts' report in the light of the comments made by Governments and taking into consideration the views expressed both in the Second Committee and at the twentieth session of the Council. The *ad hoc* committee, proposed in the Council's resolution, might undertake that task, basing its work on the report, the quality of which was of course, in no way disputed.

22. Turning to the financial aspects of the establishment of SUNFED, he pointed out that the first point to decide was how much initial capital was needed. In its report the Committee of Experts expressed the opinion that it was not absolutely necessary to set the figure at \$250 million, as its predecessors had proposed. That was a matter that should be left to the experts; at the present juncture it was impossible to decide exactly how much capital would be required, and in the experimental stage it would be of little consequence if the capital somewhat exceeded or fell short of actual requirements. In any event, the construction of the economic infrastructure of the under-developed countries would absorb so much money that the \$100 million or \$200 million contemplated might very soon be exhausted. Thus, it was not merely a question of obtaining the initial capital but of ensuring its periodic replenishment, which could not be done except with the willing support of the industrial countries. The Committee might, therefore, be well advised to devote its efforts to devising some means of gaining that support.

23. According to the report, the role of SUNFED would be the financing of the economic-social infrastructure, covering both self-liquidating and non-self-liquidating projects. There arose, therefore, the practical problem of whether it would be within the means of SUNFED to engage in such a wide variety of tasks; no answer could be given to that question until it was known what resources would be available to SUNFED. For the time being, it would suffice to stress that SUNFED should observe a strict order of priorities, so that if its resources proved inadequate, they would always be devoted to the most important project first.

24. In another part of the report, the experts raised the interesting question whether SUNFED should be permitted to grant low-interest loans. In his opinion, SUNFED would probably have to augment its own lending power by borrowing in the market. It should, accordingly, impose on borrowers a rate of interest at least as high as the rate which it would be paying to its own lenders. It might perhaps charge a somewhat higher rate in order to be in a position to meet at least part of its administrative expenses. The rate of interest charged by SUNFED on loans would thus

have an upper limit set by the earnings of the borrowing enterprises and by the amount which SUNFED could reasonably take from them, and a lower limit determined by the cost of its own borrowing. That conclusion applied to loans out of funds raised in the open market. With regard to the other loans, the rate of interest was immaterial; in order to avoid discrimination, however, SUNFED might have to charge a uniform rate, which might or might not be lower than that now charged by the International Bank.

25. In the report, the experts also recommended that the loans should be repayable in local currency. It was important that SUNFED should remain, as far as possible, a revolving fund made up of the currencies of the industrial countries; only in those circumstances could its resources be used to help one under-developed country after another. If the option to repay in local currency was widely practised, SUNFED might find itself unable to fulfil that condition. The borrowing country would not exercise the option unless it lacked foreign exchange and its own currency was not freely convertible. In such cases, the accumulated interest and amortization of the loans could only be kept as local currency deposits in the repaying countries. The experts dismissed the commonly accepted notion that such deposits could be used twice over within the countries where they accumulated. It might prove even more difficult to utilize them for economic development in other under-developed countries, for they would not be convertible. Consequently, if SUNFED was to render the services expected of it, the loans should be repayable in foreign currency. Repayment in local currency would be permitted in exceptional circumstances, such as when the loan was made to a self-liquidating project which was not productive of an adequate amount of foreign exchange, or when the borrowing country was encountering very serious difficulties in its balance of payments. In the latter case, SUNFED might take as a model the arrangements provided by the International Bank.

26. Mr. FISCHER (Union of South Africa) said that, before turning to the specific matters on the agenda, he would outline the situation in the Union of South Africa and in southern Africa as a whole.

27. The Union of South Africa was at present enjoying a period of unprecedented prosperity, extending to every sphere. It was not only a producer of gold and diamonds but was also the largest producer of electric power, coal and cement in the southern hemisphere and the second largest producer of steel in that vast area. It was also, he believed, the first country which, since the Second World War, had successfully undertaken the production of oil from coal on a commercial basis. The most striking feature was the prodigious development, in the last few years, of its manufacturing industry, which now accounted for more than one-quarter of the national income. Furthermore, since the beginning of the atomic age, the extraction of uranium and radium, which had previously been of no commercial importance, had become a major industry in the country. That industry had been established in the closest co-operation with the United States of America and the United Kingdom and much of its capital had been obtained from those countries. It had been stated that it might contribute approximately \$150 million or more a year to the national income and, according to the best estimates, the uranium market would continue to prosper for

many years. Furthermore, as the ores mined contained both gold and uranium, the extraction of uranium had contributed to an increase in gold production, which had been declining since 1942.

28. That expansion had necessarily produced its own problems. The rate of economic development and of private investment had been too rapid for the infrastructure and it had become necessary to embark on a large expansion of railways, ports, roads, electric power and so forth. The resulting labour shortage, however, accompanied by higher productivity, had led to an increase in the earnings of all sections of the population.

29. Much of the credit for that development was due to the rich natural resources of South Africa and to the efforts of its people; it could not have been so rapid, however, without foreign capital, particularly from the United Kingdom. The record of the past half-century had given the fullest confidence to foreign investors, and foreign capital continued to flow into the Union of South Africa at a steady rate.

30. Another noteworthy feature was the work of the International Bank for Reconstruction and Development in encouraging the flow of foreign capital; apart from the loans it had granted, the Bank had helped to create a favourable climate for investment and to persuade the North American investors that investment abroad was a safe and reasonably profitable proposition and not a bold speculation. Many United States investment houses were now sharing in the Bank's activities and the Bank had successfully marketed its bonds in Western Europe also. Those results had been obtained largely through a judicious lending policy and a thorough examination of all investment projects. Without the confidence engendered by the Bank, there would have been little prospect of attracting the capital which would be needed for the successful functioning of the International Finance Corporation.

31. The industrial revolution at present taking place in the Union of South Africa was extending to other African territories south of the Sahara. In the Central African Federation, for instance, vast projects were afoot; one of them, the Kariba Gorge Scheme, would, it was understood, be the largest hydroelectric project in the world. It was well to remember, however, that owing in part to the geographical and climatic factors, most of the under-developed countries in Africa south of the Sahara, unlike those in other parts of the world, had never enjoyed the influence of the great Eastern and Western civilizations. That fact made the economic problems in Africa even more difficult than elsewhere; in Africa south of the Sahara, it had been necessary to build from scratch.

32. To meet those problems, the countries which had responsibility for the economic development of Africa had in 1949 established the Commission for Technical Co-operation in Africa south of the Sahara, which in many ways resembled the Commission set up in Asia under the Colombo Plan. In 1950 the same countries had also established a Scientific Council for Africa south of the Sahara, composed of eminent scientists, whose task was to further the application of science to the solution of African problems. Those two bodies had established a number of bureaux, technical committees and regional committees dealing with various questions; many regional and international conferences were planned for 1956 and 1957. Recently, the Com-

mission for Technical Co-operation and the Scientific Council had established an Inter-African Research Fund to finance joint scientific research on African problems; they were also in the process of establishing an inter-African Foundation for the exchange of scientists and technicians.

33. It was not yet possible to say what contribution the development of atomic power might make to that progress. Nevertheless, cheap and abundant electric power might make it possible to tap new mineral resources and to irrigate desert and semi-desert areas.

34. Turning to the question of the establishment of an International Finance Corporation, he thought that there were one or two features in the statutes that could be improved. In particular, the South African delegation had some reservations about the wisdom of confining the Corporation's operations exclusively to private industry.

35. As far as SUNFED was concerned, Mr. Scheyven deserved congratulation for the work he had done; it seemed clear, however, that the moment for carrying out the project had not arrived. Contrary to what had

been suggested, it would be dangerous to think of establishing the Special Fund before there was a minimum \$250 million available for it. To do so would be to incur the danger of dissipating the Special Fund's resources. Moreover, no final plan for the structure of a Special Fund could be drawn up until there was some indication of the magnitude of the sums it would handle. Furthermore, the capital flowing to under-developed countries each year now amounted to approximately \$2,000 million. This should be borne in mind when assessing the impact on under-developed countries of a fund with a capital of even \$250 million.

36. Finally, it should be remembered that the successful functioning of a fund depended on a wide variety of factors, one of the most important of which was the goodwill of the countries that would be the major contributors. Until those countries were convinced that a Special Fund could be effective and that they could impose new burdens on their tax-payers, SUNFED would scarcely be a practical possibility.

The meeting rose at 5 p.m.