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Chairman: Mr. Toru HAGIWARA (Japan).

AGENDA ITEM 28

Economic development of under-developed countries:

(a) Establishment of the Special Fund: reports of the Preparatory Committee for the Special Fund and of the Economic and Social Council (E/3098, A/3848, paras. 164-177, A/3909, part B, A/3910, A/C.2/L.362, A/C.2/L.363 and Add.1 and 2) (*continued*)

1. Mr. SZITA (Hungary) considered that the main question was whether the proposed structure of the Special Fund would meet expected future needs as well as present requirements. In that connexion, his delegation's views were similar to those of the sponsors of the seventeen-Power draft resolution (A/C.2/L.362), which was faithful to the original concept of the Special United Nations Fund for Economic Development (SUNFED). The possibility of establishing a real development fund was not necessarily remote, especially, if substantial progress were achieved with regard to disarmament, for instance, by the adoption of the Soviet proposal for the reduction of military expenditures (750th plenary meeting).

2. Despite the obvious relationship between the technical assistance programmes and the Special Fund, it was important to maintain the separate character of the new organ. The Indian representative's arguments with regard to the election of the Governing Council (519th meeting), were particularly persuasive. Moreover, countries which were not States Members of the United Nations or members of the specialized agencies, should be able to participate in the Fund's operations. If the Fund was to be allowed to receive gifts from non-governmental sources, it was hard to see why it should not also receive them from the Governments of such countries. It was also important, if the Fund was to be truly universal, that it should be able to accept contributions in national currencies. That point was not, he believed, made sufficiently clear in the recommendations.

3. It was also regrettable that so little emphasis had been placed on reimbursable assistance. If new mines were opened, for example, following a survey of the mineral resources of an area, the beneficiary country would be in a position to reimburse the assistance it had received. In that way, the Fund would be enabled

to acquire substantial resources of its own in a relatively short time and would thus cease to be entirely dependent on annual contributions. That possibility was particularly important, if the Fund were regarded as the precursor of SUNFED and not simply as a kind of technical assistance body.

4. In spite of those critical remarks, the Hungarian delegation supported the establishment of the Special Fund.

5. Mr. NASH (New Zealand) said that the world would not enjoy peace until hunger, disease and ignorance, still prevalent in many areas, were eliminated. While it was primarily for the under-developed countries themselves to combat those evils, it was difficult for them to accumulate the necessary resources, particularly when the terms of trade were unfavourable to the commodity exporting countries. He recalled that he had mentioned earlier in the General Assembly that an important contribution could be made by the United Nations to solve the problem of instability in the prices of exported primary commodities.

6. The situation in the under-developed countries had already been remedied, to some extent, by bilateral and international measures. Some countries, such as the United States of America, had been very generous. New Zealand had also played its part and hoped to increase its contribution within the limits of its resources. The United Nations also had not been idle, particularly in the field of technical assistance. New Zealand would, nevertheless, have liked to have seen a capital development fund established, though recognizing the time was not yet ripe. It welcomed however, the establishment of the Special Fund, which by encouraging the growth of an adequate economic and social infra-structure, would help to promote the investment of private capital in under-developed countries.

7. The Preparatory Committee, in which all regions had been represented, had successfully completed a difficult task, and a reopening by the Committee of the detail of its recommendations might jeopardize the results of long negotiations. The New Zealand delegation hoped that the Special Fund would be able to begin its operations at the beginning of 1959 with sufficient resources to enable it to function efficiently. Earlier in the year, in view of New Zealand's unfavourable balance of payments position, his Government, which was already spending approximately £1 million a year on capital and technical assistance programmes for South and South East Asia, had informed the Secretary-General that it would be unable at that time to undertake a financial contribution to the Special Fund. However, in the light of the report of the Preparatory Committee (E/3098), his Government had reviewed its position and had decided to make a contribution. He hoped that it would be possible for the New Zealand representative to the Pledging Con-

ference on 16 October to announce the relevant details.

8. Mr. PHILLIPS (United States of America) noted with satisfaction that the Soviet Union and Czechoslovakia, which had been very critical of General Assembly resolution 1219 (XII), had come to look upon the Special Fund as a genuine step forward. Mr. Arkadev's statement at the 517th meeting, raised the hope that the Soviet Union might be somewhat quicker to decide to make a contribution than it had been in the case of the technical assistance programmes.

9. The Soviet Union representative had also referred to his Government's proposal that the great Powers should reduce armaments by 10 to 15 per cent and devote the savings therefrom to the economic development of the under-developed countries. In 1953, President Eisenhower had proposed that part of the savings achieved through an agreement on internationally controlled disarmament, should be devoted to a multilateral economic assistance fund. The United States had not, however, waited for disarmament before giving assistance. It had contributed fourteen to fifteen times as much as the Soviet Union to the Expanded Programme of Technical Assistance and a large part of the \$700 million lent by the International Bank for Reconstruction and Development (Bank) during the past year, had come from United States sources. United States loans and grants under bilateral programmes in 1957 amounted to almost \$1,500 million and private investments were of about the same magnitude. The United States had thus provided assistance amounting to almost \$3,000 million. In 1958, Congress had authorized additional capital of \$2,000 million for the Export-Import Bank and \$400 million for the Development Loan Fund. At the thirteenth annual meeting of the Boards of Governors of the Bank and the International Monetary Fund (IMF) in New Delhi, on 6 October 1958, the United States Government would propose substantial increases in the capital of the Bank and the quotas of IMF. It would also explore whether there was support for the establishment of an international development association, affiliated with the Bank, which would extend much the same kind of assistance the advocates of SUNFED had in mind.

10. With regard to the Special Fund, the only essential difference between the sponsors of the two draft resolutions (A/C.2/L.362 and A/C.2/L.363 and Add. 1 and 2) related to the method of election of the Governing Council. The burden of proof would seem to lie on the representatives who proposed a departure from the established practice by by-passing the Economic and Social Council, but no convincing argument had been offered. The Soviet Union representative had implied that the United States and, incidentally, the other twenty-six sponsors of the draft resolution (A/C.2/L.363 and Add. 1 and 2) had some sinister motive and that the composition of the Council did not reflect the composition of the General Assembly. In that case, he would soon have an opportunity to support an appropriate increase in the membership of the Council; the proposal to do so had been endorsed by all the members of the Council except the Soviet Union and Poland.^{1/}

11. The issue was not so much the composition of the Governing Council, which would not differ markedly whether it was elected by the Council or by the Assembly, and which would have the necessary degree of flexibility, since six members would be elected annually, as a question of precedents and principles. Under Article 63 of the Charter of the United Nations, the Economic and Social Council was responsible for co-ordinating the activities of the specialized agencies; it was therefore entirely natural for the Council to elect all United Nations bodies, however important, which were responsible for economic and social matters. As the Mexican representative had rightly pointed out, it was regrettable that a sort of antagonism was being created between the Assembly and the Council, since lack of confidence in the Council reflected upon the General Assembly which had elected it.

12. The Netherlands representative had carefully outlined (518th meeting) the reasons why it would be dangerous to depart from the usual practice. At the same time, he had made it clear that his delegation's position on that matter of principle had nothing to do with the future of SUNFED, which it still wanted to be established.

13. In conclusion, he emphasized his delegation's continued support of section III of General Assembly resolution 1219 (XII), provided that it was read to mean exactly what it said. When the General Assembly considered the resources prospectively available to be sufficient, it would review the scope and future activities of the Special Fund and "take such action as it might deem appropriate". It was not stated that the Special Fund would be transformed into SUNFED. Accordingly, either SUNFED might be set up, as some delegations wished, or an international development association, affiliated to the Bank, might be established. In any case, the action to be taken would be decided on at the appropriate time. The United States Government fully agreed that, at that time, there should be a review of the operations of the Special Fund and attached no importance to the word "possible" in paragraph 1 of the provisions governing the Fund (resolution 692 A (XXVI) of the Council, annex). The important thing now was to work for the establishment of the Special Fund, to which the United States pledged its full support.

14. Mr. NORDAHL (Norway) said that his delegation, as a sponsor of the draft resolution of the twenty-seven Powers, had no desire to prevent the Committee from undertaking a thorough examination of the question. It was important that the resolution to be adopted should be such as to enable the Special Fund to be transformed into an institution for the financing of economic development when the time came. The views of the Norwegian delegation differed from those of the sponsors of the seventeen-Power draft resolution, not with respect to the future establishment of SUNFED, but with regard to the election of the Governing Council of the Special Fund, which should, it believed, be elected by the Economic and Social Council, the body normally entrusted with that function. In view of the fact that the Preparatory Committee had recommended that the Economic and Social Council should be asked to draw up the general rules and principles governing the administration and operations of the Special Fund, it would be illogical to transfer one of the Economic and

^{1/} See Official Records of the Economic and Social Council, Twenty-sixth Session, 1043rd meeting, and resolution 690 B (XXVI) of the Council.

Social Council's functions to the General Assembly. If, as some representatives had argued, the Council was not sufficiently representative of the eighty-one States Members of the General Assembly, its membership should be enlarged, and the Norwegian delegation hoped that the Assembly would adopt a proposal to that effect at its present session. In any case, the composition of the Governing Council would probably be the same, whether the members were elected by the Economic and Social Council or by the Assembly. It would be unwise to impair the prestige of the Economic and Social Council at a time when its work was becoming increasingly important.

15. Mr. ALFONZO RAVARD (Venezuela) said that the slightest concrete achievement represented a step forward and that the Special Fund, despite its modest proportions, should be welcomed. Moreover, the surveys to be carried out under the auspices of the Special Fund, would make it indispensable to set up a fund for infrastructure development of the kind contemplated in section III of General Assembly resolution 1219 (XII). Venezuela hoped that the stronger support for the Special Fund on the part of the developed countries, would induce certain countries to withdraw their opposition, and trusted that more funds would eventually be made available as a result of disarmament. The Venezuelan delegation could not endorse all the Preparatory Committee's recommendations, but realized that absolute perfection was impossible in a collective undertaking. Experience alone would show in what way the suggested arrangement could be improved.

16. He supported the Brazilian representative's constructive proposal to draft a single text (518th meeting) and believed that a satisfactory agreement was possible.

17. Mr. DIPP-GOMEZ (Dominican Republic) said that his country had always been interested in the problem of economic development, but had not lost sight of the fact that it was also necessary to encourage international trade by stabilizing prices and eliminating discriminatory and restrictive practices. The Dominican Republic, which had declared its support for SUNFED, was in favour of establishing the Special Fund and was a sponsor of the draft resolution of the twenty-seven Powers. The proposal gave an important role to the Economic and Social Council as a major co-ordinating body, which already had experience in relations with the specialized agencies.

18. The Dominican Republic was prepared to lend its assistance to the delegations which were attempting to draft a single text that would win the unanimous support of the Committee.

19. Mr. LAWRENCE (Liberia) congratulated the Preparatory Committee on its excellent work. The Special Fund would not take the place of SUNFED, which had had to be set aside for the time being because of the opposition of certain developed countries, but it would make it possible to broaden the scope of technical assistance and, in particular, to overcome the shortage of trained personnel from which many under-developed countries suffered. Liberia, which was a sponsor of the draft resolution of the twenty-seven Powers, was deeply aware of the need for broad international co-operation and hoped that the Committee would unanimously adopt a single text.

20. Mr. WOULBROUN (Belgium), commenting on the

view that the General Assembly would be relegated to an inferior position if the Economic and Social Council elected the members of the Governing Council of the Special Fund, pointed out that the Charter itself made the Economic and Social Council a "principal organ", on the same footing as the General Assembly; the entire United Nations entrusted the Council with the proper conduct of the activities of the United Nations in the economic and social field.

21. It had been argued that States which were not Members of the United Nations, but which were participating in the work of the specialized agencies, could not be elected members of the governing body of the Special Fund. However, the Economic and Social Council had already elected States in that category to the Executive Board of the United Nations Children's Fund (UNICEF) and the Technical Assistance Committee (TAC). At the present time, the issue was not whether the Special Fund would subsequently be transformed into SUNFED, but how best to lend effective assistance in establishing it. Since the Fund would grant technical assistance, it would be logical for its Governing Council, like TAC, to be elected by the Economic and Social Council, an arrangement which would facilitate geographical distribution of the seats. It was true that all the States Members of the United Nations were interested in the election, but they would, in any case, be able to make their views known through their representative in the General Assembly or through their permanent mission. The argument that the Special Fund was different from the subsidiary organs of the Council, was irrelevant, since the Executive Board of UNICEF, which was not a subsidiary organ, was also elected by the Economic and Social Council.

22. The members of the Governing Council were, in fact, virtually designated in advance, in view of the fact that it was provided that nine of the members would represent developed countries and nine under-developed countries. In the circumstances, it would seem unwise to call into question the function assigned to the Economic and Social Council under the Charter or, in particular, to discourage certain important nations which were prepared to lend their full support. The action on behalf of economic development which had been taken by Presidents of the Economic and Social Council in the past, should be sufficient to reassure the countries concerned.

23. Mr. CHAMANDI (Yemen) pointed out that, despite the tireless efforts of the United Nations to assist the under-developed countries, millions of persons were still living in poverty, even in areas administered by States whose social budgets were very high. He therefore urged the wealthiest countries to make substantial contributions to the Special Fund. He emphasized the need for keeping overhead expenses connected with United Nations assistance programmes within reasonable limits and said that the staff members of international bodies who were sent to the under-developed countries should take care not to offend the population by ostentatious luxury. Yemen would be happy to co-operate in the fulfilment of the purposes for which the Special Fund was created.

24. Mr. R. TREJOS FLORES (Costa Rica) said that the international officials who had come to his country had always done great services there and had never given the impression that they were living in luxury or dissipation.

25. Mr. CHAMANDI (Yemen) said that it had not been his intention to cast aspersions on international civil servants, but to warn them that certain outward signs of wealth might create an unfavourable impression among the peoples of the under-developed countries.

26. Mr. KITTANI (Iraq) pointed out that delegations which were opposed to the election of the Governing Council of the Special Fund by the General Assembly, had only put forward two arguments to support their contention, the first of which was that election by the General Assembly would not be in keeping with the practice followed hitherto. To the second argument, namely, that it was laid down in the Charter that all economic and social questions fell within the competence of the Economic and Social Council, it could be replied that the sponsors of the seventeen-Power draft resolution did not wish to entrust to the Assembly the duties of the Economic and Social Council, but simply the election of the Governing Council of the Fund. Article 10 of the Charter, indeed, stipulated that the General Assembly could discuss any questions or matters relating to the powers and functions of any organs provided for in the Charter.

27. The Netherlands representative had asserted that, by departing from the usual practice and entrusting the Assembly with the election of the Governing Council, the Committee might give the unfortunate impression that it was influenced by political considerations. It could just as easily be said that a refusal to leave the election of the Governing Council to the Assembly, the most important organ of the United Nations, might also appear to be based on political motives.

28. Mr. ALHOLM (Finland) said that, even though his delegation doubted the advisability of providing such an expensive apparatus for the administration of the Special Fund, it had subscribed to resolution 692 (XXVI) of the Council, which was a compromise text. He therefore stressed the need to avoid all duplication and overlapping in the various United Nations assistance programmes. The best way to induce States to contribute more and more to these programmes would be to ensure that the funds were always used for the purposes for which they had been contributed. His delegation agreed with the Swedish delegation that there was not much point in setting up a Council committee to help with the examination of the Governing Council's reports. The Committee should be careful not to introduce elements into the structure of the Special Fund which might give rise to valid criticisms in the future.

29. U THET TUN (Burma) asked why the Economic and Social Council which, under Article 63 of the Charter, could co-ordinate the activities of the specialized agencies, found it impossible to do so in the case of such bodies as the Bank and the IMF where there was a system of weighted votes. He also wondered why the Economic and Social Council was so interested in electing the Governing Council of the Special Fund and reluctant to leave the task to the General Assembly in which each Member State had a vote.

30. Mr. ARKADEV (Union of Soviet Socialist Republics) considered that the statement of the United States representative showed that that country was still opposed to the eventual establishment of SUNFED and even went so far as to deny that the transformation of the Special Fund into SUNFED was envisaged in section III of resolution 1219 (XII) of the General Assembly. The United States was clearly opposed to the idea of setting up a collective body of a new type which, by using new methods and without relying solely on the International Bank and private banks, could help to finance the economic and industrial advancement of under-developed countries. The latter, however, still had not given up hope that SUNFED would be established, as they were only able to obtain loans at present on very stiff terms: the Bank charged 5 or 6 per cent interest and private banks as much as 8 or 9 per cent.

31. Nevertheless, SUNFED could soon become a reality if the Soviet Union's fresh proposal for a reduction of 15 per cent in the military budgets of the United States, the United Kingdom, the Soviet Union and France, were adopted. He was not referring to the Soviet Union's proposals on disarmament, which, incidentally, had always been rejected, but to a fresh proposal which would be very easy to translate into action and which ought not to meet with any obstacles.

32. It should not be imagined that the United States private concerns which had invested a total of 33,000 million dollars in the under-developed countries, were philanthropic institutions; they were much more interested in the profits from the investments than in the rational development of the economic infrastructure of the countries concerned. It was common knowledge, too, that the credits granted to under-developed countries as "assistance" by the United States were, in most cases, intended for military purposes. On the other hand, the United States Press had recently remarked that the socialist countries were giving under-developed countries assistance totalling 1,500 million dollars on very favourable terms. Since there was as yet no organ within the United Nations which could provide sums of that magnitude, the Soviet Union was doing all it could by bilateral assistance.

33. Mr. PHILLIPS (United States of America) said he had hoped that the Soviet delegation would demonstrate the interest it took in the assistance given by the United Nations to under-developed countries, by deeds and the promise of contributions rather than by invective.

34. Mr. ARKADEV (Union of Soviet Socialist Republics) pointed out that it was not yet known how much the United States would contribute to the Special Fund. In the United States Government's reply to the Secretary-General's inquiry (A/3910) it was merely stated that Congress had not yet approved the necessary appropriations. The Soviet Union would make a statement about its own participation in the Special Fund at the proper time and in the proper place.

The meeting rose at 5.30 p.m.