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ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES
SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT

Statement by Mr. Raymond Scheyven

On completing the task entrusted to me by the General Assembly I wish to express my appreciation of the confidence it was kind enough to place in me.

I should like to pay a further tribute to the outstanding co-operation kindly extended to me, in drafting the report now submitted, by Messrs. Abbink, Hamid, Madan, Sir Francis Mudie, Messrs. Oudiette, Popovic, Schneider and Tinbergen. As we found ourselves in agreement on most of the questions we examined together, I invited them to join me in submitting the report I had been asked to prepare. The unanimity among us and the standing of the experts I consulted give the recommendations we are submitting to the General Assembly infinitely more weight than if they were mine alone.

In commenting to you on this report, I shall inevitably have to repeat some of the comments I have already made in the Economic and Social Council at Geneva. I beg your indulgence on that account.

Two preliminary observations are called for:

First, the text of resolution 822 (IX), which defined our terms of reference, seems at first sight simple and clear. It calls upon us to prepare "a further report giving a full and precise picture of the form or forms, functions and responsibilities which such a Special United Nations Fund for Economic Development might have, and especially the methods by which its operations might be integrated with the development plans of the countries receiving assistance from it."

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However, it was properly recalled during the general debate that this text had been the subject of very protracted discussions in this Assembly last year between those who wished the statutes of the Special Fund to be drawn up immediately and those who, on the contrary, held that no useful purpose would be served by so doing until the money for starting the Fund had been collected.

Having attended the many working meetings which were necessary in preparing this resolution, I understood that our task was to determine the Special Fund's structure in broad outline. It would certainly not have been difficult for us, on the basis of the draft we are submitting to you, to prepare either statutes or texts sufficiently precise to permit of their rapid conversion into actual statutes. If we had done so, however, we should not have repaid the confidence placed in us by the members of this Assembly as a whole.

Next, as you will have noticed, it is only on a few points that our study amends the first report drawn up by nine experts in 1953. Thus many questions which were put to me in the Economic and Social Council and in this Assembly are answered in our predecessors' excellent report.

I should like to confine my comments today to three main points:

- I. The question of grants-in-aid and low-interest loans.
- II. The structure of the Special Fund.
- III. Amount which the Special Fund should have to begin operations.

I. GRANTS AND LOANS

On the basis of a decision of the General Assembly, the nine experts recommended that the resources of the Special Fund should be disbursed not only through grants-in-aid but also through low-interest loans on generally easier terms of repayment than those granted by the International Bank. Considerable scope for readjustment of the terms of these loans was also provided for by the Committee of Nine.

Now it had long been clear to all that these recommendations were open to criticism and that, unless they were amended, they would make it more difficult and perhaps even impossible for the Special Fund to be established. The International Bank in particular put forward the following objections:

The establishment within the United Nations, side by side with the International Bank, of a new financial agency granting loans at lower rates

of interest for longer periods and on easier terms, and so more or less competing with the International Bank and jeopardizing the placing of the Bank's bonds in the capital market, might be a matter for regret;

The mere fact that a debtor country would be allowed not to repay loans granted to it, or could obtain easier terms and conditions if its economic and financial situation so required, might set a premium on bad management;

Lastly, having no information as to the precise commitments entered into by a borrowing country towards the Special Fund, it would be impossible for the International Bank to assess accurately the country's debt-carrying capacity, and that was likely to impair the work which the Bank was called upon to do in financing the development of the under-developed countries.

In our report, we suggest two solutions for these difficulties, which seem to us to take into account both the objections of the International Bank and the desire often expressed by the under-developed countries to obtain from the Special Fund not only grants, but also low-interest loans.

(1) The Special Fund's work on behalf of the under-developed countries would chiefly consist in making grants. It would not be authorized to make low-interest loans on the unspecified and very easy terms of repayment envisaged by our predecessors. Acting in conjunction, however, the Special Fund and the International Bank could finance the same economic development project or plan in an under-developed country, partly with grants from the Special Fund and partly with loans from the International Bank. This combination of the two forms of financial assistance would mean a reduction in the rate of interest payable by the debtor country; the rate of interest might be fixed at the desired level according to the proportion of grants and loans.

(2) The Special Fund would also make regular loans to the under-developed countries, that is to say, loans on normal terms but repayable in local currency.

The advantages of agreement on these lines with the International Bank are numerous:

With the spheres of activity of the Special Fund and the International Bank clearly defined, the two agencies would work together and without friction in financing the development of the under-developed countries.

In all credit operations involving joint action by the Special Fund and the International Bank, part of the financing - the loans - would be taken over by the Bank, so that the amount to be drawn by SUNFED from its own resources would be reduced accordingly.

Similarly, repayment in local currency of loans made by the Special Fund would enable it, at least to some extent, to replenish its resources. Consequently, it would not be continually obliged to ask for fresh funds, and the burden on the contributing countries would be reduced accordingly. These solutions apparently did not meet with unanimous approval in the Economic and Social Council, and several delegations made some interesting remarks and suggestions which can, I believe, be summarized as follows:

The Fund should also be authorized to make:

- (1) Loans free of interest, repayable in the currency in which they were accorded or in the local currency of the debtor country and with a longer maturity than loans made by the International Bank;
- (2) Loans repayable in local currency at a low-interest rate.

The arguments adduced in support of the first suggestion, namely interest-free, long-dated loans were the same as those we put forward in our own report, especially in paragraph 35 (b):

The lender-borrower relationship is generally more satisfactory than the donor-beneficiary relationship;

It is to the interest of the Special Fund, and more particularly of the contributing countries, that the borrowing countries should repay loans when they are in a position to do so, since such repayment would mean the automatic replenishment of the Special Fund's resources;

An interest-free loan cannot be confused with an International Bank loan.

In support of the second suggestion, namely low-interest loans repayable in local currency, the arguments put forward were as follows:

While with the first type of loan, repayable in the currency in which it is accorded, it is possible to reduce the rate of interest through the joint action of the Fund and of the International Bank, by increasing the ratio of the grant by the Fund to the loan by the Bank, the same would not apply to the second type of loan, repayable in local currency. In this case, the Fund would act alone and would have to choose, under the procedure we propose, between a grant and a loan at a normal rate of interest.

As a loan repayable in local currency can no longer be termed a "commercial" loan, the fact that it would carry a low interest rate would be less open to criticism.

In accordance with my promise to the Economic and Social Council at the end of the discussion, I duly communicated with the management of the International Bank in order to obtain its views on these suggestions. The President of the International Bank kindly replied to me by his letter dated 25 August 1955; I have his permission to acquaint you with the contents of that letter:

"Thank you for your letter of August 3, 1955, in which you ask the views of the International Bank management on three questions concerning possible types of loans by the Special Fund which has been under discussion in the Economic and Social Council. I am happy to explain my personal views, but before giving specific answers I think it would be helpful to summarize briefly the principal considerations which lie behind my answers, even though you are generally familiar with them from our earlier discussions.

"First, I am firmly of the opinion that normal international lending has an important role to play in promoting economic development. I fear that a widespread program of long-term low-interest-rate foreign exchange loans would, by blurring the distinction between loans and grants, inevitably tend to impair the integrity of international financial obligations, to discourage normal lenders and thus to deprive the development process of the support it should receive from this source.

"I recognize, however, that some under-developed countries have limited external debt-servicing capacity at present and could not bear the burden that would be imposed on their balance of payments if all external assistance needed for their development took the form of normal loans. I therefore believe that some grants are necessary to enable these countries to achieve a reasonably satisfactory rate of development. Combining normal loans and grants in the right proportions is, in my opinion, the best means of adjusting the total service burden on the balance of payments to the circumstances in the particular country.

"On the other hand, I recognize that legislatures in capital-exporting countries are often very reluctant to provide assistance in the form of pure grants, and also that there is some danger that the donor-donee relationship, at least if continued over a long period of time, may cause friction and resentment. Moreover, there are some circumstances in which grants are subject to objection on economic grounds in that they tend to conceal the realities of economic costs and discourage the development of mechanisms that promote savings. For these reasons, I have considered that loans repayable in local currency might be a useful tool in the field of international aid if used judiciously and in appropriate cases. Contrary to the suggestion in your letter, I believe that transactions of this kind would need to be carefully integrated with lending by the International Bank. Properly used, and with appropriate interest rates and conditions of payment, these loans repayable in local currency would have the same effect as normal foreign exchange loans in promoting savings mechanisms. At the same time they would be so different in form, motivation and balance-of-payments impact that they would not, in my opinion, have an unduly discouraging effect on normal foreign lending; to the contrary, by strengthening the economies of the borrowing countries, they should facilitate such lending.

'On the basis of these considerations, my answers with respect to the three types of transactions which you mention in your questions are as follows:

- '1. The granting by the Fund of loans repayable in the currency in which they were accorded, but without bearing interest;'

This would in my opinion be undesirable as tending to impair the integrity of international financial obligations and thus to discourage normal international lending. I do not think there is sufficient distinction between foreign exchange loans bearing interest at abnormally low rates and those bearing no interest to warrant a difference in attitude.

- '2. The granting by the Fund of loans repayable in local currency, but bearing no interest;'

Elimination of interest would have no positive advantage in my view and would be subject to the objection that economic cost calculations would be distorted and mechanisms for the encouragement of savings would not be promoted. For these reasons transactions of this kind would in my opinion be undesirable as compared with loans repayable in local currency bearing normal rates of interest.

- '3. The granting by the Fund of loans repayable in local currency at a low interest rate.'

Obviously there is room for difference of opinion as to what might be a proper interest rate in particular circumstances. I assume that by "a low interest rate" you mean a rate which will be entirely outside the range of rates in normal lending transactions. On that assumption my answer to this question would be the same as my answer to Question 2. I do not think that the difference between loans without interest and loans at abnormally low interest is of sufficient significance to change my answer.

"I trust that this will serve your purposes.

"With personal regards,

Yours sincerely,

(Signed) Eugene R. Black"

The arguments for and against seem to me sufficiently clear to enable you to make up your mind on the subject.

II. STRUCTURE OF THE SPECIAL FUND

The draft structure which has been submitted to you was prepared, not only in the light of lengthy discussions among ourselves, but also, I might even say mainly, in the light of conversations with the most highly qualified representatives of the international organizations within the framework of the United Nations. Nevertheless, we have suggested in paragraph 28 of the report that the General Assembly might reappraise the recommended structure after the Special Fund had operated for five years, in order to give the Assembly an opportunity of amending that structure if it did not prove fully satisfactory. Such compulsory revision after a certain period would be in line with the parliamentary practice of many countries where legislation on important matters is concerned. The principle was also accepted at San Francisco and the General Assembly was accordingly called upon this year to consider the advisability of convening a conference for the revision of the Charter.

This draft structure naturally takes into account the wishes expressed and the suggestions made to me last year during my consultations with Governments. These wishes and suggestions may be summarized as follows:

- that a new international bureaucracy should not be established;
- some Governments felt that the Special Fund should be integrated as far as possible with the International Bank;
- others preferred that the Special Fund should be linked as closely as possible with the Technical Assistance Board.

That a new international bureaucracy should not be established

This was the unanimous wish of all the Governments and this is one of our primary objectives. Accordingly, so far as new staff is concerned, all that we propose is the establishment of an Executive Board and the appointment of a Director-General.

The countries already represented on the Executive Boards of the Bank and the International Monetary Fund might, if they wished, be represented by the same persons on the Executive Board of the Special Fund. With regard to the Director-General of the Fund, I feel bound to say that no one could expect one man to carry out the onerous duties of presiding over the Executive Board of the Fund and the Joint Committee, establishing contact with the participating countries in order to obtain payment of their contributions, with all the under-developed countries in order to ascertain their needs, and with the various international organizations in order to entrust to them first the study and then implementation of projects approved by the Executive Board, and finally of reporting to the General Council of the Fund, to the Economic and Social Council, and to the General Assembly of the United Nations.

It is obvious that this task exceeds the capacities of any one person and that the Director-General must have the assistance of a small staff to help him in his duties and a small secretariat. But I do not think that such a small office, the essential purpose of which, I would remind you, would be to strengthen co-ordination between all the international organizations, could be described as a "new international bureaucracy".

I was asked during the debate in the Economic and Social Council whether this proposed staff was not really too small and whether that might not ultimately hamper the activities of the Special Fund. I replied in the negative and I think that I was right in doing so. If we were to recruit more staff, their work would merely be duplicating that of international organizations already existing within the framework of the United Nations. For example, I think it would be inadvisable to establish within the Special Fund an economic and financial department to assess the debt-carrying capacity of requesting countries, when that could very well be done by the International Bank, which has not only a highly-skilled staff, but also ten years' experience in this field. Similar considerations apply to agriculture, health, education and labour, since new services would overlap with the activities of FAO, WHO, UNESCO and the ILO. That is why our proposed structure provides that the appropriate specialized agencies, either independently or jointly, should be responsible for the study of projects and for their implementation after approval by the Executive Board.

Relations with the International Bank

A close link has been established between the Special Fund and the International Bank. The President of the Bank is not only a consultative member of the Executive Board, but also takes part in the Joint Committee, together with the Director-General of the Fund and the Secretary-General of the United Nations. I was told during the debate in the Economic and Social Council that that link was too close. I cannot believe that this is so. The participation of the President of the International Bank in these two bodies seems to be indicated not only by the Bank's knowledge and experience in connexion with the development of under-developed countries, but also because, in his present capacity of President of the Bank and, in the future, of chairman of the board of directors of the International Finance Corporation, he will be in a position to tell the Executive Board

of the Fund, and, consequently, all the participating countries whether or not the projects submitted to the Special Fund for financing could be financed either by loans or by private capital. None of the members of this Assembly would wish to authorize the Fund to make grants or loans repayable in local currency if the development of under-developed countries could be financed by traditional methods. Moreover, when it makes low-interest loans, the Fund will have to work in close collaboration with the Bank, and this will necessitate joint study and control.

Relations with the Technical Assistance Board

The Technical Assistance Board is represented on the Executive Board of the Fund by its Executive Chairman, and on the Joint Committee through the Secretary-General of the United Nations. Similarly, in accordance with paragraph 55 of the report, the specialized agencies of the United Nations will be represented at all the meetings of the Executive Board at which requests for which they are responsible are to be considered. It goes without saying that the Director-General of the Fund will not confine his contacts with the Bank and other specialized agencies merely to the meetings at the Executive Board or the Joint Committee with the Secretary-General of the United Nations, the President of the International Bank and the Executive Chairman of the Technical Assistance Board. The Director-General of the Fund will be in daily contact with the representatives of the various international organizations. All the specialized agencies which comprise the Technical Assistance Board, including the International Bank, will work with and on behalf of the Special Fund. Nevertheless, as I stated in the Economic and Social Council, it would be premature to give further consideration to the suggestion that the Technical Assistance Board should be amalgamated with the Special Fund until we have seen how the Fund works.

III. AMOUNT WHICH THE SPECIAL FUND SHOULD HAVE TO BEGIN OPERATIONS

With regard to the amount which the Special Fund should have to begin operations, you are aware of the various estimates by experts of the grants which the under-developed countries need to ensure their development. The amount has been put at \$3,000,000,000 a year by the United Nations experts who wrote the study on "Measures for the economic development of under-developed countries"; at \$500,000,000 a year by the International Development Advisory Board; and, in our predecessors' report, at a minimum of \$250,000,000 if the Fund is to be effective.

In chapter III of our study, my colleagues and I have set out our reasons why the Special Fund might perhaps begin operations with a smaller amount than that estimated by our predecessors.

I will summarize briefly the various arguments. The preparation of plans and programmes and the training of the necessary technicians might take some time; since under-developed countries can absorb only a limited amount of foreign capital, unduly large investments might lead to inflation; and joint financing of the same development project or plan by the Fund and the Bank would reduce correspondingly the amount required for financing by the Special Fund. Other arguments include the possibility of the peaceful use of atomic energy, whereby electric power stations may soon be built more cheaply, especially in places which possess none of the traditional sources of energy and to which it has to be transported at great cost.

Speaking now in my personal capacity, however, I have already told the Economic and Social Council that for my part, I could not endorse these conclusions if the amount fixed by the General Assembly were much smaller than that proposed by our predecessors. An amount of fifty or one hundred million dollars would, in my opinion, be totally inadequate to enable the Special Fund to carry out its task and especially to enable it to play the multiplier role which may reasonably be expected from its operations, through the mobilization of the resources of the under-developed countries themselves and through the creation of profitable investments likely to attract private capital or qualify for loans from the International Bank.

I am afraid that that statement displeased certain representatives but I would appeal to them to reconsider their position. I am fully aware that it would be easier to obtain the establishment of a Special Fund if we were content with an initial capital of fifty million dollars, rather than two hundred and fifty million; my sole concern in adopting such a position was how best to serve the cause of the under-developed countries. A United Nations Special Fund of fifty million or a hundred million dollars would not, to my mind, be capable of carrying out the task assigned to it, unless the United Nations General Assembly and the Executive Board of the Fund were to take a decision which, it seems to me, would be extremely difficult from a political point of view, namely, to concentrate the activities of the Special Fund in the first years of its operation in a single region of Asia, Africa, the Middle East, America or Europe.

If this cannot be done, just building a school, a university, a hospital, a road, a railway or a dam here and there - however useful and necessary such investments may appear - will not impart to the activities of the Special Fund that multiplier effect to which I have just referred and which is the only means by which they can achieve all the necessary breadth. In that case it would be better simply to hand over these additional funds to the Technical Assistance Board, which could easily use them in accordance with the rules which now govern the distribution of its resources.

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I now come to the second report which I have to submit to you under the terms of resolution 822 (IX), concerning the results of the consultations I held this year with a number of Governments in order to ascertain what support they were prepared to give to the Special Fund.

As was the case last year, my visits were confined for the most part to the capitals of the industrialized countries; I went to Moscow, Washington, Brussels, The Hague, Copenhagen, Oslo, Stockholm, Paris, Rome, London, Bonn and Berne. I am sure that the under-developed countries will not take exception to the fact that I spent most of my time in negotiations in the capitals of the

industrialized countries. They will understand that it was there more especially that I had to plead the cause of the Special Fund.

By adopting resolution 724 A (VIII) on 7 December 1953, the States Members of the United Nations undertook a solemn obligation. They declared that they stood ready to ask their peoples, when sufficient progress had been made in internationally supervised world-wide disarmament, to devote a portion of the savings achieved through such disarmament to an international fund, within the framework of the United Nations, to assist development and reconstruction in under-developed countries.

You will remember that I was able to inform you last year that a certain number of countries had declared their willingness to support the Special Fund, without making their participation dependent on a general reduction of armaments expenditure, since the development of under-developed countries seemed to them to be an urgent problem, the solution of which was likely to promote peace and international security. That group comprised not only all the under-developed countries, but also certain industrialized countries, namely, Belgium, Denmark, Italy, Japan, Luxembourg, Norway, the Netherlands and Sweden. This year the Danish, Netherlands and Norwegian Governments have specified the amounts they are prepared to contribute to an initial capital of two hundred and fifty million dollars.

The Governments of the United States and the United Kingdom, on the other hand, still insist on internationally supervised world-wide disarmament as an a priori condition of their participation in an international assistance fund for the development and reconstruction of under-developed countries. I think I can add, from private conversations I have had with their representatives and from statements these representatives made during the general debate, that that is also the position of Australia, Canada and New Zealand. The attitude of these great industrialized countries, and principally that of the United States, is naturally very important, for the other industrialized countries to which I have just referred and which have declared themselves in favour of establishing the Fund without waiting for internationally supervised world-wide disarmament, are not prepared to participate in it unless the great industrialized countries, especially the United States, contribute their support.

The Soviet Union, which abstained from voting on the resolution of 7 December 1955 and on the first mission entrusted to me, has since modified its attitude and on 28 July last its representative in the Economic and Social Council at Geneva stated that funds made available through disarmament could become the principal source for financing the Special Fund without excluding the creation of the Special Fund before agreement had been reached on disarmament.

During the general debate, a great many speakers very appropriately referred to the important statement by Mr. Edgar Faure, the French Prime Minister, during the Four-Power Conference at Geneva. In his statement Mr. Edgar Faure proposed a reduction of military appropriations and the transfer of a large proportion of the resulting savings to an international fund which would place orders for capital goods for peaceful purposes with the contributing countries for despatch to the under-developed countries. Commenting on this speech, Mr. Jules Moch, the French representative, made the following statement to the Sub-Committee of the Disarmament Commission on 29 August last: "Through their representatives in the United Nations the inhabitants of the under-developed areas have intimated that they refuse to tie the fate of the Special Fund to the problematical success of a disarmament plan, that they wish to see the Fund endowed without delay with assured resources. But they have not yet obtained those resources. We French regret this, for we gave our agreement to the principle of the Fund from the very outset. That is why we propose that it should immediately be endowed with appropriations deducted from military budgets, so that these deductions, instead of being conditional upon the previous achievement of disarmament, should promote and accelerate disarmament."

These statements by the French Prime Minister and the French representative in the Disarmament Sub-Committee undoubtedly constitute an important step forward inasmuch as under the French plan, the creation of the Fund is no longer contingent upon world-wide disarmament but becomes part of the disarmament control machinery.

Finally, to complete the picture, I may mention the satisfactory results of the Four-Power Conference at Geneva, the Conference on the Peaceful Uses of Atomic Energy and the progress which has apparently been made in the Disarmament Sub-Committee.

Only yesterday, the condition upon which the fulfilment of the solemn promise of 7 December 1953 had been made contingent - sufficient progress in internationally supervised world-wide disarmament - seemed very remote; today, everything suggests that results may be achieved in this direction sooner than the most optimistic of us had dared to hope. Hence, whatever decision the General Assembly may take on the resolution on the Special Fund proposed by the Economic and Social Council, I cannot urge too strongly that in the coming year both the Economic and Social Council and the General Assembly pay close attention to the question of the creation of the Special Fund; for every step toward the achievement of internationally supervised world-wide disarmament will also mark a decisive step toward the establishment of the Special Fund.

These various observations of mine on the attitude of the various Governments and on the international situation in general, might lead you to believe that I personally am inclined to be satisfied with the progress made this year with the Special Fund proposal. Quite the contrary, I am not at all satisfied, and that for two reasons:

First, because I am more firmly convinced than ever that if the under-developed countries and the industrialized countries which are in favour of the immediate establishment of the Special Fund had wished to take a big step towards the establishment of the Fund, they ought, following the example of Denmark, Norway and the Netherlands, and as I have repeatedly suggested to them, to have specified that they were prepared to contribute to a starting capital of 250 million dollars, an amount proportionate to their contributions to the capital of the International Bank, the International Monetary Fund or other international organizations.

Secondly, because I myself am among those who believe that the development of the under-developed countries is the "great problem of our day".

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As I am called upon today to open the debate, I hope that you will not take it amiss, if at the risk of repeating myself, I once more explain to the General Assembly the main considerations on which I base my belief.

On the basis of Articles 55 and 56 of the Charter, the United Nations set up the Technical Assistance Administration and various specialized agencies such as the International Bank, FAO, UNESCO, WHO and the ILO. We are all justifiably proud of these organizations and of what they have accomplished in developing the under-developed countries. I hope however, I shall not offend any one when I say that, in face of the immense needs of the under-developed countries, the 1,800 odd Technical Assistance experts are not enough. Eighteen hundred experts for seventy countries requesting assistance from the Expanded Programme, that is still, on the average, only about twenty-five for each requesting country. Whenever I have got into touch, in an under-developed country, with the representatives of TAA or of a specialized agency, not only have they told me that more experts would be welcomed by the country I was visiting, but they have particularly expressed the hope that my mission would be completely successful. The work of these experts, the advice which they can and must give to the authorities of an under-developed country in order to promote its economic and social development almost inevitably involves an investment of capital which only the Special Fund would be in a position to provide. Again, the sum of 1,000 million dollars which the International Bank has been able to lend to all the under-developed countries combined is not in keeping with their immense capital requirements. Has not the President of the International Bank himself drawn our attention to this point on several occasions, notably in his statement to this Assembly on 10 December 1951?

We are proposing this year to establish an International Finance Corporation with a capital of 100 million dollars the main purpose of which is to attract private capital to the under-developed countries. But we all know that in order to provide opportunities for profitable investment, the only type likely to interest private capital which quite rightly expects a profit, and to expand the role of the International Bank which justifiably requires interest on its loans, the first essential is to provide the economic-social "infrastructure" on which the apparatus of production proper is based, or in other words, a minimum of roads, power stations, schools, hospitals, housing and government buildings. Experience has shown that it is only when this basis has been established that production can be developed smoothly and that private initiative

can play its full part. In the industrialized countries this "infrastructure" is usually provided by the State which finances the expenditure out of taxes and savings. But in the under-developed countries, where the average annual per capita income often ranges from 25 to 50 dollars, taxable capacity is very low and savings modest. The additional financing which should be provided to the less fortunate countries by the wealthy nations, can be undertaken only by public capital largely on a grant basis.

This would be the task of the United Nations Special Fund.

In this picture of what has been done for the under-developed countries, I am deliberately confining myself to the work of the United Nations, leaving aside all that has been done by the metropolitan countries for their dependent territories as well as assistance under bilateral or multilateral aid programmes. The fact that I do not mention this form of assistance certainly does not mean that I underestimate its full value and importance.

In the statement I made to this Assembly last year, I set out the reasons why, in my view, a proportion of these additional funds should be administered through an international fund set up under the auspices of the United Nations. Today I will mention only one of these reasons.

If tomorrow, the technical assistance programmes were considerably expanded, if the International Bank were in a position to embark on a much vaster financing programme, if the International Finance Corporation were able to make large-scale capital investments, if agreements were concluded covering a large number of primary commodities, if the Special Fund were in a position to fulfil its fundamental role as regards the creation of the economic-social "infrastructure" of the under-developed countries, that would still not necessarily mean that something really constructive had been accomplished.

A speaker during the general debate reminded the General Assembly of the excellent report drawn up by a group of experts appointed by the United Nations Secretary-General on "Measures for the Economic Development of Under-developed Countries". Paragraphs 36, 37 and 38 of this report contain the following cogent observations:

"... rapid economic progress is impossible without painful readjustments. Ancient philosophies have to be scrapped; old social institutions have to disintegrate; bonds of caste, creed and race have

to be burst; and large numbers of persons who cannot keep up with progress have to have their expectations of a comfortable life frustrated. Very few communities are willing to pay the full price of rapid economic progress...

"There cannot be rapid economic progress unless the leaders of a country at all levels - politicians, teachers, engineers, business leaders, trade unionists, priests, journalists - desire economic progress for the country, and are willing to pay its price, which is the creation of a society from which economic, political and social privileges have been eliminated. On the other hand, given leadership and the public will to advance, all problems of economic development are soluble. We wish to emphasize that the masses of the people take their cue from those who are in authority over them. If the leaders are reactionary, selfish and corrupt, the masses in turn are dispirited, and seem to lack initiative. But if the leaders win the confidence of the country, and prove themselves to be vigorous in eradicating privilege and gross inequalities, they can inspire the masses with an enthusiasm for progress which carries all before it."

Needless to say, these absolutely essential structural reforms should be carried out without infringing the sovereignty of the under-developed countries, but their achievement could more easily be proposed by an international organization, better able to deal tactfully with national susceptibilities. That is the main reason why my colleagues and I, like our predecessors, have recommended that the Executive Board of the Fund should be composed of an equal number of representatives of industrialized countries and of under-developed countries.

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Assistance to the under-developed countries is clearly imperative on three grounds, moral, political and economic.

First, the moral imperative. None of us, no one with a lofty conception of the respect owing to the human person, can countenance any longer the division of human beings into two categories, the first comprising one-third of humanity which alone would have the right to lead a decent life, to achieve a minimum intellectual and spiritual level, to fulfil the divine mission entrusted to man, in which most of us believe; and then a second category, comprising the remaining two-thirds of humanity condemned to live in material conditions that

frequently are worse than those reserved in the advanced countries for domestic animals. Yes, I know only too well that poverty has been the lot of the great majority of mankind for centuries, but a new factor is appearing today. The poorer nations are beginning to realize that their position can be improved by modern techniques and they are aspiring towards a better life. In this age, let us not forget, there are hardly any frontiers left between countries, hardly any between continents.

The political imperative, which provides further grounds for action, is the natural consequence of this state of affairs. We talk glibly of democracy, freedom, and respect for human dignity. We intend, quite rightly, to build a world civilization, on these unshakable concepts, because only a civilization so based seems to us valid or worthy of human dignity. But do we ever ask ourselves how such words must sound to the hundreds of millions of human beings who have never known freedom and to whom the civilization we champion, far from giving them a life compatible with respect for their dignity as human beings, has so far brought them nothing but famine, disease, ignorance and despair? It is tragic enough to have to ask such a question, but would it not be even more tragic to leave it unanswered, just when we possess all the elements required for its solution?

Obviously, there can never be real peace in the world as long as there are such sharp contrasts as there are at present between wealthy peoples and poor peoples, particularly as, far from decreasing, they tend to become more violent. Can we reasonably allow that one-third of the human race should control about 85 per cent of the world's income, leaving only 15 per cent for the other two-thirds? If we had even a momentary doubt that such an unequal distribution of world income carries in itself the seeds of serious disturbances and constitutes a lasting danger to world peace, we need only glance at the daily papers to convince ourselves that it is so. Where are the world's main trouble-spots situated, since the end of the war, if not in those areas where unrest is fostered mainly by poverty and hopelessness?

These moral and political imperatives militate mainly in favour of the under-developed countries, but there is also an economic imperative, combining duty with self-interest, which the industrialized countries would be wrong to

disregard. They are large consumers of the raw materials of which the under-developed countries are the principal producers and it is to their advantage to obtain larger supplies. They are large exporters of industrial products and they would be better advised to secure new export markets rather than to compete more and more fiercely for the existing ones.

The wealthier countries are confronted today on the international level with a problem which, in the course of their history, they have already had to solve on the domestic level. The very progress they made in their development led them to distribute their national income more equitably, and this redistribution has proved a powerful stimulus to economic progress by increasing the purchasing power of broad strata of the population. The better distribution of wealth which would follow from the development of the under-developed countries would gradually broaden the world's economic base and should have the same favourable effects on the world's economy as those experienced in the past in national economies, but on a much larger scale. The markets which could be opened up are so vast that a bold policy of developing the under-developed countries might well enable the world in the near future to enjoy an economic activity and a prosperity hitherto unknown. Such a policy might well provide the elements of a decisive and a lasting solution of the problem of recession, which constitutes a very great social evil, and that of maintaining the international financial equilibrium, which is vainly being attacked from the excessively narrow angle of trade among the wealthier countries.

Those who believe that it will be possible from one day to the next to devote a large proportion of the savings resulting from disarmament to the development of the under-development countries show, in my opinion, a serious lack of understanding of the development process in these areas. The proposed function of the Special Fund in connexion with the development of the under-developed countries has often been compared with that of the Marshall Plan for the rehabilitation of the war-devastated countries of Europe. We ourselves have made this comparison in paragraph 14 of our report, while emphasizing also the many points of difference. The reason why, immediately after the war, the European countries were able to absorb in four years, in the form of gifts and low-interest loans, thirteen thousand five hundred million dollars, or more than

three thousand million a year, generously granted by the United States, it was because they possessed engineers, technicians and skilled labour, and because, in spite of the destruction due to the war, the greater part of their roads, railways, canals and power stations had remained intact. There is nothing of this kind in the under-developed countries, and we all know that roads, railways and dams cannot be built in a day; that it will take more than a few years to accumulate a reserve of health and to train the technicians, artisans, and skilled workmen, who, in industrialized countries, are taught their trade from father to son.

This is the great truth on which reposes the French plan presented by Mr. Edgar Faure at Geneva: rapid large-scale disarmament might cause a serious economic crisis if it were not accompanied - and I should be tempted to add: preceded - by a changeover in the activity of the States producing war material. That is why I have always thought the establishment of the Special Fund, before disarmament, essential, not only on the moral and political grounds I have given, but also on economic grounds. When the savings resulting from internationally-supervised worldwide disarmament had reached a high enough level, it would be much easier to put them into a Special Fund with smooth-working machinery which would have been able to prepare plans and programmes, provide for the training of some skilled labour and lay the foundation of the economic and social infrastructure required for the development of the under-developed countries.

When I was pleading the cause of the Special Fund in the capitals of the industrialized countries, I usually had to answer three kinds of objections:

First, while considering the contribution I suggested too high, certain Governments doubted whether anything worthwhile could be achieved in the under-developed countries with only 250 million dollars, even annually. Need I recall that the Special Fund is not in itself a panacea, but is merely the last but indispensable link to be added to the already long chain of United Nations achievements? With the Special Fund's help in establishing the infrastructure, the work of the Technical Assistance Administration and the specialized agencies would be more efficacious, the internal resources of the under-developed countries would be mobilized and there would be opportunities for sound investment which would encourage action by the International Bank and private capital investment.

The combined effect of these different factors might be several times, ten times perhaps, as great as that of action by the Special Fund alone. In any event, our report makes no secret of the fact that although that figure might be large enough to cover the needs of the under-developed countries during the Fund's first years, the scope of its operations would later expand, and larger contributions would then be required. There would be no slackening of the activity for some years, and then only as a result of the domestic capital formation in the under-developed countries, parallel to their economic development.

I was also told that public opinion in the industrialized countries would not support government action. Although I think Governments should direct public opinion rather than be directed by it, I do not believe that the public of the industrialized countries is unable to grasp the gravity of the problem or to agree to any measures likely to solve it. Every time that I have endeavoured to inform the public opinion of my country, I have noted that its apparent indifference was entirely due to its complete ignorance of the factors of the problem. Once these factors had been explained, it was indignant that measures had not already been taken to remedy the situation.

Finally, I was advised not to be over-hasty, and to wait for a few years, as difficulties disappear with time and a Special Fund might be established eventually.

When reading history, I have always been impressed by the fact that many regimes and civilizations might have survived if they had been able to carry out the necessary reforms in time. But when the measures were finally taken, it was always too late. I am convinced that we have now reached a similar moment in our history, when we are faced with a situation which calls for reforms and invites us to reconsider our concepts of international solidarity. I am convinced that we are now passing through crucial years in the world's history and that we shall live to regret it if we let them slip by without taking the necessary steps while there is yet time. How I wish I could convince you too!

Nowadays, no statesman ever makes a speech on the international situation as a whole without devoting part of it to the problem of developing the under-developed countries and the urgent necessity of finding a solution. This is the great problem of the day, is what you hear on every side. Then why not act,

why always put off to tomorrow a decision which we all know must be taken some time and which, in my opinion, would not strain the present financial and economic capacities of the industrialized countries?

This is why I threw myself heart and soul into the task laid upon me by the General Assembly. I think I may say that I have spared neither pains nor energy and that I have done everything in my power to carry it out. In my occasional moments of discouragement, I have thought of what the representative of a great Asian country once said in this Assembly, "I speak here," he said, "for hundreds of millions of human beings who are born in poverty, live in poverty and die in poverty." I am sorry to have been able to do so little to alleviate so much human misery; this, I suppose, explains the bitterness of my remarks today.

To the question which some of you have so often asked me: "Do you think the Special Fund will ever be established?", I give the unhesitating answer: yes. In conclusion, let me only express the hope that, when the General Assembly does at last act, it will not be too late.
