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ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Report by the Secretary-General

1. This report has been prepared in accordance with the request from the General Assembly which in its resolution 1424 (XIV) of 5 December 1959 asked the Secretary-General "to examine, in consultation with the Governments of Member States, ways and means of making further progress toward the early establishment of a United Nations capital development fund". The Secretary-General was invited by the General Assembly "to report on this matter to the Economic and Social Council at its thirtieth session and to the General Assembly at its fifteenth session". The General Assembly called upon Member States to give further consideration to General Assembly resolution 1317 (XIII) and 1219 (XII), Section III and to the Economic and Social Council resolution 740 (XXVIII) and "to reappraise their positions as regards extending material support for the early establishment of a United Nations capital development fund".

2. The Secretary-General in a communication to Member States of 30 March 1960 drew their attention to this resolution of the General Assembly and requested the expression of their views on the early establishment of a United Nations capital development fund.

3. Replies were received from the following Governments:

Australia

Union of Soviet Socialist Republics

Ceylon

United Kingdom

Iraq

United States of America

New Zealand

Yugoslavia.

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4. These replies are reproduced as an annex. Any subsequent replies will be issued as addenda to this document.

5. The replies do not indicate any significant new developments in connexion with the establishment of a United Nations capital development fund.

ANNEX

Australia:

(Original: English)

The Permanent Representative is instructed to draw to the Secretary-General's attention the statement in explanation of vote delivered by the Australian Representative in the Second Committee, Senator D.C. Hannaford, on 24 November 1959 [A/C.2/SR.632]. In explaining his delegation's abstention on the resolution to which the Secretary-General refers, Senator Hannaford said that, because of the extensive aid Australia was undertaking through other programmes and the demands made on its resources by its own internal development programmes and those of its dependent territories, Australia's capacity further to participate in programmes of international co-operation and economic development was necessarily limited.

Senator Hannaford also reserved the Australian Government's position on an additional capital development organization until it should be possible to assess whether any other arrangements were required to supplement the International Development Association, which seemed to have the support of the major potential contributors. Since November, as the Secretary-General will be aware, the support of the requisite number of Governments seems to have become assured to bring the International Development Association into operation. Subject to parliamentary approval, Australia will therefore accede to membership of the Association.

Additional to those commitments briefly referred to by Senator Hannaford in his statement, the Permanent Representative would also mention the significant contributions which Australia has promised to make to the Indus Waters and Mekong Valley Schemes.

Ceylon:

(Original: English)

The Government of Ceylon welcomes in principle the establishment of a United Nations capital development fund.

Iraq:

(Original: English)

The Government of Iraq has, together with several other less developed countries, consistently favoured and strongly advocated the establishment of a "United Nations Capital Development Fund". It has on many occasions expressed its regret that it has not been possible thus far to establish such a fund due to the position of a number of highly developed countries whose support and financial contribution are essential for the creation of the fund.

The Government of Iraq continues to hope for an early establishment of a United Nations capital development fund. It is prepared to consider making an appropriate contribution to the fund when the hoped for occasion arises.

New Zealand:

(Original: English)

The New Zealand Government has an active sympathy with the desires of the less developed countries for increased supplies of capital. In the last ten years it has provided capital assistance to the countries of South and Southeast Asia under the Colombo Plan to the extent of approximately \$30 million, and it will continue to make such assistance available to the maximum extent possible.

In the light of the assistance which it is already providing, and of the fact that its financial resources are on a relatively small scale, New Zealand's capacity to contribute to new programmes of international assistance is limited. Moreover, New Zealand itself is still on balance, a capital-importing country. For these reasons the New Zealand Government has, in the past, refrained from expressing any strong views on the questions of a United Nations capital development fund.

Given the diversity of the views that have from time to time been expressed on this question by other Members of the United Nations, the New Zealand Government believes that it would be wiser to defer further consideration of the possibilities for providing capital aid through the United Nations until there has been an opportunity to assess the support received and the impact made by both existing bilateral and multilateral programmes and those at present under consideration, including the proposed International Development Association.

The Union of Soviet Socialist Republics:

(Original: Russian)

The Soviet Union has consistently supported and continues to support the early establishment of a United Nations fund to finance industrial development in the economically under-developed countries for its attitude is one of sincere sympathy towards and deep understanding of all peoples who are fighting for their freedom and national independence.

The Soviet Union is ready to participate with other countries in contributing its material resources to SUNFED in the event of its establishment.

It should, at the same time, be pointed out that if a programme of measures for full and complete disarmament were adopted, the peoples of the countries needing economic assistance would be able to receive it in far greater measure.

United Kingdom:

(Original: English)

The views of Her Majesty's Government in the United Kingdom on this question were expressed in the Second Committee of the General Assembly on 10 November 1959 by the Minister of State for Foreign Affairs, the Rt. Hon. David Ormsby-Gore, M.P., and by Mr. A.A. Dudley, C.M.G., when explaining his vote on the resolution in question on 24 November 1959. The views of Her Majesty's Government remain unchanged.

The relevant passages from the full text of Mr. Ormsby-Gore's statement and from the summary record of Mr. Dudley's statement (A/C.2/SR.632) are enclosed with this Note for ease of reference.

Extract of Speech delivered by the Minister of State for Foreign Affairs, the Rt. Hon. David Ormsby-Gore, M.P., in the Second Committee on Tuesday, 10 November 1959

"As I showed earlier our capacity to make such contributions to the world's development depends on our balance of payments position. We cannot expect or hope for any great improvement in it, beyond the present satisfactory level, and it would therefore not be wise to expect at the present time any considerable further increase in our capacity to expand capital aid beyond the very large figures described above.

"But, to go back to my theme of a moment ago, even now, when real disarmament has not yet begun, we stand ready to contribute \$140 million towards

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the capital of the proposed International Development Association; this, in addition to what we are already doing, year by year, in other directions. That fund will be, in our view, 'an international fund within the framework of the United Nations'. It is proposed, as everyone here knows, to establish the Development Association under the aegis of the International Bank; but the Bank is in close constitutional relations with the United Nations, and it makes a report every year to the Economic and Social Council. Just as we leave the responsibility for the organization of certain types of activities to the World Health Organization, Food and Agriculture Organization and so on, so, in the view of my Government we must make use of the special skills and capacities of the Bank to handle the organization of this kind of fund, at any rate for the present.

"I am well aware that there are many delegations represented in this Committee which have felt that the Assembly itself, and the United Nations at its Headquarters, should have the primary responsibility. But we have been glad to find that, although there are different views about some aspects of the I.D.A., the sixty-eight members of the Bank - and those sixty-eight members are all represented in this Committee - have been unanimous in their decision to go ahead with the preparation of a fund with an initial capital of \$1,000 million.

"All this does not mean that the United Kingdom Government does not recognize the deep and burning sincerity and beliefs of the supporters of what has been called SUNFED. We recognize the importance of continuing to discuss these and similar ideas here in this Committee and in the Economic and Social Council. But I should be deceiving you if I led you to believe that we could at present contemplate taking part in any multilateral capital development fund in addition to that which I have been discussing."

Extract from the Summary Record of the Speech delivered by Mr. A.A. Dudley, C.M.G., in the Second Committee on 24 November 1959 (A/C.2/SR.632)

"Mr. Dudley (United Kingdom), explaining his vote, said that his delegation recognized the sincerity of the sponsors of the draft resolution, and the importance of the General Assembly and the Economic and Social Council to

continue their discussions of the SUNFED proposal and similar schemes. On the other hand, his Government could not make promises before it knew that it was in a position to fulfil them. At the moment, it was unable to undertake further commitments, in addition to the support it had already announced for the International Development Association, which itself would be operating within the framework of the United Nations. For that reason, he had been obliged to abstain from voting."

United States of America:

(Original: English)

The Representative of the United States has the honour to refer the Secretary-General to the statement made by the Honourable George Meany, United States Delegate, in Committee Two of the General Assembly on 24 November 1959 [A/C.2/SR.632]. This statement reflected United States views on the proposed United Nations capital development fund at that time. These views have not changed. Particularly pertinent are the following excerpts from Mr. Meany's statement referring to ways of accomplishing the objective of economic development and to the specific proposal for the establishment of a United Nations capital development fund:

"...We should not waste resources available for financing by multiplying machinery for distributing it... The best way to accomplish the job at hand is through the establishment of the IDA. We would see no merit in creating or even discussing additional machinery, when the real problem is to use effectively the machinery already in process of being established."

Yugoslavia:

(Original: English)

The Yugoslav Government, it will be recalled, has always attached the greatest importance to the creation - within the United Nations - of an international apparatus with the purpose of rendering financial assistance in the acceleration of the economic development of the under-developed countries, as an effective means for meeting one of the outstanding needs of our time and for furthering the purposes and principles of the Charter of the United Nations. The Yugoslav Government has therefore consistently striven for the establishment of such a machinery. The Yugoslav representatives have often stressed, in the

appropriate bodies and organs of the United Nations, that the economic situation in the contemporary world, and particularly the situation in under-developed countries, demands the establishment of a United Nations Fund for capital development as soon as possible.

In the course of the past few years, the atmosphere in international relations, it may be noted with satisfaction, has changed considerably for the better, and the problem of assisting the development of the under-developed countries has thus also been brought into a new light.

At the same time, the economic progress in the developed countries basically has continued favourably. All this has found expression in a statement (Economic and Social Council Official Records, 28th Session, 30 June-31 July 1959, pp. 3-7) made by the Secretary-General of the United Nations in the Economic and Social Council on 6 July 1959, which was welcomed warmly by the Yugoslav Government. In that statement the Secretary-General, pointing to existing "unemployed resources in labour and capital", underlined that affluency in developed countries "surely justifies the assumption of new commitments".

It is precisely along the lines of the suggestion of the Secretary-General that, in the view of the Yugoslav Government, further efforts should be made to find "ways and means of making further progress towards the early establishment of a United Nations Capital Development Fund".

In accordance with this, the Yugoslav Government considers that it would be fully in the spirit of the purpose of the United Nations and within the realm of objective possibilities if the Secretary-General were now to place before the United Nations a proposal to proceed with the realization of the idea of the establishment of a United Nations capital development fund, as provided in General Assembly resolutions 520 (VI) of 12 January 1952, 622 (VII) of 2 December 1952, 724 A and B (VIII) of 7 December 1953, 822 (IX) of 11 December 1954, as well as in resolutions 1219, section III, (XII) of 14 December 1957 and 1317 (XIII) of 12 December 1958. The Yugoslav Government believes that reasons that have already been set forth have not made it possible for the General Assembly to recommend to Member States to contribute to a United Nations capital development fund in proportion with their economic and financial capabilities.

In presenting its views on these questions, the Yugoslav Government wishes also to point out the following:

In its resolution 724 (VIII) of 7 December 1953, the General Assembly adopted - among other things - a declaration in which the readiness was expressed by Member States "to ask our peoples, when sufficient progress has 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". In this way, the General Assembly affirmed at that time its keen awareness of the magnitude and urgency of the problem of assisting the development of the under-developed countries and of the desirability of such assistance being, at least in part, channelled through the United Nations. Under the international conditions prevailing at that time, however, the majority was of the opinion that the substantial financial means required for this purpose could not be realized except through a decrease of expenditures for armaments.

Now, a completely justified question is nevertheless being raised, as the Secretary-General said in the above-mentioned statement before the Economic and Social Council, ought we not to reconsider the decision which led us to agree that the expanded assistance to under-developed countries depended only on internationally organized and controlled disarmament.

But at the same time, the Yugoslav Government strongly views the long-range problem of the assistance for the development of the under-developed countries also in the perspective of using for that end definite means obtained through the realization of international disarmament which, in ever growing measure, as the whole development of latest events testify, is becoming not only possible but also inevitable.

Moreover, the Yugoslav Government considers that in recommending the establishment of such a fund, the contributions of Member States could also be determined in proportion to present military expenditures. Such an undertaking would constitute, at the same time, an initial step towards general disarmament, and contribute substantially to an increasing measure of confidence in international relations.

In such a manner progress would be achieved both towards the solution of the outstanding economic problem of the world and towards disarmament, which would be a significant contribution to the strengthening of peace and stability throughout the world.
