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President: Mr. M. MIR KHAN (Pakistan).

Present:

The representatives of the following countries: Argentina, Brazil, Canada, China, Dominican Republic, Egypt, Finland, France, Greece, Indonesia, Mexico, Netherlands, Pakistan, Poland, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Chile, Czechoslovakia, Federal Republic of Germany, Hungary, Iran, Israel, Italy, Romania, Spain, Switzerland.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund.

AGENDA ITEM 5

Sources of energy as a means of economic development
(E/2997, E/3005, E/3014)

REPORT OF THE ECONOMIC COMMITTEE (E/3032, E/L.763)

1. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) said that his delegation did not usually introduce amendments in the Council itself, but as the Soviet Union amendment to the joint draft resolution on sources of energy as a means of economic development now before the Council (E/3032, paragraph 4) had been rejected in the Economic Committee by only one vote, he felt justified in proposing that a new paragraph should be added to that draft resolution. His amendment, which had been distributed as document E/L.763, took into account the objections raised to the Soviet Union proposal in the Committee, and he hoped that it would command the Council's approval.

2. Sir Alec RANDALL (United Kingdom) regretted that the Soviet Union representative had seen fit to revert to a subject which had been thoroughly discussed in the Economic Committee. The United Kingdom delegation strongly opposed the amendment, because it would be premature to request the regional economic commissions

“to develop co-operation in the field of the peaceful use of atomic energy” before the International Atomic Energy Agency had been brought into existence. The Statute of the Agency, which had only recently been adopted, made full provision for all necessary consultation between that body, the United Nations and other bodies. It was essential to preserve the Agency's precedence in the atomic field, and the Soviet Union proposal, apart from its political repercussions, would create confusion and run counter to the Statute of the Agency, which the Soviet Union had ratified.

3. Moreover, as the Pakistan representative had pointed out in the Economic Committee, the regional commissions had their own urgent tasks to perform and did not possess the staff to deal with atomic energy problems.

4. Mr. PATRIOTA (Brazil) said that his delegation would support the Soviet Union amendment, but felt that it might to some extent duplicate the United States proposal to the Inter-American Economic and Social Council concerning the establishment of a Latin American centre for nuclear research.

5. Mr. KOTSCHNIG (United States of America) said that his delegation fully recognized the importance of the regional commissions, and the contribution they could make to the economic development of their respective regions. They would certainly have a legitimate interest in the question of the peaceful uses of atomic energy, but it would be premature to request their co-operation in that field at the present stage. Their interest was recognized in paragraph 2 of section II of the draft resolution submitted by the Economic Committee, which requested the Secretary-General “to transmit the . . . report on economic uses of atomic energy to the regional economic commissions”. It seemed both unwise and undesirable to go further for the time being.

6. It would be a grave error if, on the eve of the establishment of the International Atomic Energy Agency, the Council decided to allot responsibilities in the field of atomic energy to other bodies. The Preparatory Commission of the Agency had worked hard to hammer out a programme of work for it, and it would only be in the light of the deliberations at the Agency's first General Conference, to be held in October, that the responsibilities of organizations other than the Agency in the field of peaceful uses of atomic energy could be clearly defined, and their relationship to the work of the Agency clarified. Then, and only then, could appropriate action be taken to fill any gaps in desirable international action. The discussion in the Economic Committee had clearly shown that the USSR contemplated assigning to the regional commissions responsi-

lities in atomic technology which went altogether beyond the functions and abilities of those commissions.

7. Adoption of the Soviet Union amendment would merely create confusion; it would not promote the rapid development of the peaceful uses of atomic energy. The working agreement between the United Nations and the International Atomic Energy Agency was still under consideration, and the least the Council could do was to await its conclusion before thinking of making recommendations to the regional economic commissions.

8. The Soviet Union delegation was inconsistent in pressing its amendment, since, during the preparation of the draft Statute of the Agency and of the agreement between that body and the United Nations, it had repeatedly belittled the Council's role, and opposed any attempt to establish the Agency as a specialized agency. It now seemed to be seeking to give to subsidiary bodies of the Council powers which it was unwilling to give to the Council itself.

9. The truth about the Soviet Union amendment was that it was an attempt to obstruct the work being done by Euratom and that being carried out under the auspices of the Organization of American States and the Colombo Plan. It was therefore less innocent than it appeared and was not in the best interests of either the advanced or the under-developed countries. His delegation therefore strongly opposed it.

10. Mr. FARUQI (Pakistan) recalled that his delegation had opposed the Soviet Union amendment introduced in the Economic Committee; it was even more strongly opposed to the present amendment, because it was the Council's duty to take a broader view and, in accordance with the recommendation of the Co-ordination Committee, ensure that its resolutions did not give rise to duplication.

11. The Soviet Union amendment was inconsistent with the provisions of the Statute of the International Atomic Energy Agency, which the Soviet Union had ratified. If that country felt that the regional commissions should have a part in developing co-operation in the peaceful uses of atomic energy, it should have proposed the insertion of an appropriate provision in the Statute.

12. The present amendment pre-supposed that the Agency would be unable to achieve the results expected of it without the assistance of the regional commissions, despite the fact that the Agency had not yet come into being, and that its field of activity had not been fully demarcated. Furthermore, the regional commissions had their own clearly defined programmes of work, with which it would be inappropriate for the Council to interfere. At the same time, the Soviet Union proposal ran counter to the very idea of the United Nations, which was to transcend the regional and to concentrate on the universal approach.

13. Mr. STANOVNIK (Yugoslavia) said that he would vote for the Soviet Union amendment because Yugoslavia, being a small country, could make headway in the field of atomic energy only through regional co-operation. The best framework for such co-operation was the United Nations, especially its regional commis-

sions. Failing it, the small countries would have to rely on the more industrialized countries for the supplies essential to progress in the nuclear field. There was no conflict between the Soviet Union amendment and the Statute of the Agency.

14. Mr. MICHALOWSKI (Poland) supported the Soviet Union amendment because, contrary to the assertions of several speakers, the countries represented on the regional commissions were perfectly capable of making a contribution to the study of the peaceful uses of atomic energy. The United States representative had accused the Soviet Union delegation of submitting its amendment in order to frustrate the work to be done by Euratom, but that representative's reaction itself seemed to be inspired by a fear that the work of the regional commissions in the atomic field would clash with that of Euratom. For the Polish delegation the work of the regional commissions would be far more important to the Council than that of Euratom. Again, the argument that the Soviet Union proposal was premature because the International Atomic Energy Agency had not yet been established was unconvincing. The Agency would come into existence in the autumn, so that it was certainly not too soon to begin to consider how the regional commissions could usefully supplement its activities. In fact, the adoption of the Soviet Union amendment would greatly contribute to the success of the Agency's work.

15. Mr. ARMENGAUD (France) quite understood the reasons for which the Soviet Union delegation had felt it necessary to submit its amendment. But he too would remind the Council that it had just been decided to set up the International Atomic Energy Agency, whose specific function it would be to study the various aspects of the question of the peaceful applications of atomic energy and, in particular, gradually to bring about international co-operation therein. Moreover, one might well ask how the regional commissions could at that juncture express an opinion on the prospective use of atomic energy for peaceful purposes. In his view, it would be wiser to wait until the Agency had started work before inquiring to what extent any particular region could consider making effective use of atomic energy. For all those reasons, he would be unable to vote for the amendment.

16. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) protested against the attempt of the United Kingdom and United States representatives to ascribe ulterior motives to his delegation in introducing its amendment. Such tactics merely underlined the weakness of their arguments. The United States representative's remarks about Euratom were quite unjustified and irrelevant, for all the Soviet Union amendment sought to do was to encourage co-operation within the regional commissions in the peaceful uses of atomic energy.

17. As for the Pakistan representative's argument that the Soviet Union amendment reflected a lack of confidence in the Agency, his delegation was perfectly prepared to delete the reference to that body from the amendment, as it had only been included to meet the United States delegation's wishes.

18. The PRESIDENT put the Soviet Union amendment (E/L.763) to the vote.

The amendment was rejected by 11 votes to 5, with 2 abstentions.

19. The PRESIDENT put to the vote the draft resolution on sources of energy as a means of economic development submitted by the Economic Committee (E/3032, paragraph 4).

The draft resolution was adopted unanimously.

20. Mr. CARANICAS (Greece) expressed regret that the discussion on the proposed amendment was not entirely based on its merits. His delegation usually abstained from the vote on proposals made with political overtones. However, he had voted against the Soviet Union amendment in the Council in line with his attitude during previous discussions, after which he had voted against a similar amendment in the Economic Committee.

21. Mr. KOTSCHNIG (United States of America) explained that his delegation had voted for the resolution, but felt that the international conference referred to in its final paragraph (operative paragraph 2 of part III) should not be held until the progress report on developments in the field of new sources of energy had been studied by the Council at its twenty-seventh session.

22. Sir Alec RANDALL (United Kingdom) recalled that his delegation had abstained from the vote on the last paragraph of the resolution in the Economic Committee, because it had felt that it was premature to instruct the Secretary-General to make specific recommendations concerning the agenda of an international conference on new sources of energy.

23. The PRESIDENT announced that the Council had completed its consideration of item 5 of its agenda.

AGENDA ITEM 6

Financing of economic development (E/2961 and Corr.1 and Add.1, E/2999, E/3021, E/L.764, E/R.1 and Add.1 and 2)

24. Mr. KAUFMANN (Netherlands), speaking as Rapporteur of the *Ad Hoc* Committee on the Question of the Establishment of a Special United Nations Fund for Economic Development, said that the Committee's final report (E/2961 and Corr.1 and Add.1) had been prepared in pursuance of General Assembly resolution 923 (X). The interim report (A/3134-E/2896) submitted to the Council at its twenty-second session and to the General Assembly at its eleventh session was based on replies received from forty-six governments. The final report was based on a total of fifty-seven replies. It was divided into three parts: part I was a summary of comments of governments on the establishment, role, structure and operations of a Special United Nations Fund for Economic Development (SUNFED); part II analysed the comments; and part III presented the Committee's conclusions. As was stated in part III, the replies showed that there was support for the proposal to establish SUNFED, although, under the terms of General Assembly resolution 923 (X), governments had not been

expressly requested to indicate the extent of their financial support. The general pattern which had emerged from the replies was described in paragraph 4 of part III.

25. The *Ad Hoc* Committee's supplementary report (E/2999) had been prepared in pursuance of General Assembly resolution 1030 (XI), under which the Committee had been requested "to set forth the different forms of legal framework on which a Special United Nations Fund for Economic Development may be established" and "to indicate the types of projects" which it might finance. The resolution gave no definition of the concept "forms of legal framework", a fact which, together with the great wealth of material before the Committee, had caused it to devote some time to the organization of its work. The procedure adopted for the purpose was outlined in the first seven paragraphs of part I, in the first two paragraphs of part II and in part III of the supplementary report.

26. The Committee had begun its deliberations on the basis of a working paper summarizing all relevant views regarding forms of legal framework occurring in the material before the Committee. The working paper had then been shaped into section 1 of part I of the supplementary report, which set forth the various views expressed on the component elements of a possible statute. The Committee had decided not to engage in any selection or combination of those views but to present the different forms of legal framework in a summary, to be found in section 2 of part I. Obviously, when the statute was drafted, a single provision would have to be agreed upon where alternative views were at present put forward.

27. From the manner in which the Committee had proceeded, it was clear that certain provisions could not be logically combined. For instance, as stated in paragraph 6 of part I of the supplementary report, "if the Special Fund were authorized to extend grants exclusively, the provisions on loans would not be applicable and vice versa . . . the question of replenishment of the Special Fund's resources" would depend on "whether the Special Fund would extend loans only, or also grants, and the extent to which repayment of the former would in itself constitute replenishment". Similarly, the degree of convertibility of contributions might have a bearing on the scope of SUNFED's activities.

28. Part III of the supplementary report sought to comply with the request in General Assembly resolution 1030 (XI) that the Committee "indicate the types of projects which might be provided for in programmes of operations of a United Nations economic development fund". The Committee had reached the conclusion that it was not feasible to summarize the relative importance of the projects in question, and had therefore refrained from establishing any order of priority among the six categories listed.

29. Finally, part III of the supplementary report dealt with related suggestions or proposals for the provision of economic assistance to under-developed countries under the auspices of the United Nations. Under the terms of paragraph 3 of resolution 1030 (XI), the Committee had been authorized to append to its final report any such suggestions or proposals which governments

might wish to put forward. Since none had in fact been forthcoming, the Committee had decided to list in a footnote to paragraph 2 of part III a number of suggestions recently made in the Council or the General Assembly. The Committee had not discussed those suggestions substantively.

30. Mr. SINBEL (Egypt) said that, although the Secretary-General's report, "The International Flow of Private Capital", 1956 (E/3021), provided a fairly good summary of the provisions of the "Egyptianization" laws introduced by the Egyptian Government in January 1957, it misinterpreted their underlying purpose. It was stated in section 2 (Measures affecting capital imports) of chapter II that they "partly reversed a policy introduced in 1954, when the Egyptian Company Law was amended to permit foreign investors to own all or part of the share capital in projects approved by the Government". Such a statement did not represent the actual purport of the laws in question, and gave a distorted picture of them. In fact, they dealt only with the "Egyptianization" of banks, insurance companies and commercial agencies, and in no way affected foreign investment in economic development projects. Holdings by foreign banks and insurance companies did not represent foreign investment in the true sense. With a very small initial capital outlay, such institutions had gradually acquired control over a substantial part of the savings of the Egyptian community. However, their capital had mostly been invested not in Egypt, but abroad. The deposits and savings of individuals accumulated in banks and insurance companies should be ploughed back into the economy in the form of loans and credits to help trade, industry and agriculture. It was only natural that such important sources of finance should not be left in the hands of investors who followed a credit policy inconsistent with the country's best interests. The laws in question, which were common practice everywhere, were in conformity with his Government's policy of safeguarding the national economy without affecting the interests of private business, local or foreign.

31. In order that the provisions of the "Egyptianization" laws might not adversely affect the interests of individuals or corporations, it had been stipulated that an ample period, not exceeding five years, should be allowed within which the provisions should be made effective. Also, the Company Law of 1954 encouraged foreigners to invest their capital in productive projects in Egypt and thus to create a favourable climate of investment. They provided important privileges for foreign investors, chief among which was the power to transfer foreign investments without limitation and to repatriate capital within one year if a suitable object of investment could not be found. The Egyptian Government had also simplified the procedures governing the admission of foreign capital and had offered certain fiscal exemptions and other incentives. The comments in the report were therefore unjustified. He could assure the Council that the Egyptian Government had been and would always be very happy to see foreign capital invested in Egyptian development projects.

32. Turning to the question of SUNFED, he recalled that, when it had last been discussed, the under-developed

countries had believed that, given a little more time, the major contributing countries would be able to approve of its immediate establishment. However, the position of those countries was unchanged. Indeed, they seemed now to take a less favourable view than in previous years. The same arguments against SUNFED's immediate establishment were still being put forward. The Council was thus faced with two alternatives. It could wait until the major contributing countries were in a position to participate, or it could go ahead with preparations for establishing SUNFED without them. If, as his delegation hoped, the second course was followed, that would not mean that any country would be excluded from participating in the future. He hoped that such an approach would meet with the approval of all the countries which were anxious to see SUNFED functioning in the very near future, and that the major contributing countries would have no difficulty in supporting it. His delegation would be very glad to join with others in submitting a draft resolution on those lines.

33. Mr. SCHURMANN (Netherlands) declared that in discussing the financing of economic development the Council should remember that it was dealing with an enormous problem, with which the solutions it was considering were in no way commensurate; they could be regarded only as a first step. The problem concerned what had been called the ever widening gap between the more and the less developed countries: a gap, not between a little more prosperity here and a little less there, but between comparative wealth for a minority of the world population and abject poverty for the majority. It was that widening gap which generated so much political tension threatening the economic stability and peace of the world. He had the impression that everyone was agreed that the matter occupied a central place among the objectives of the United Nations and that the Charter itself placed States Members under the obligation of seeking jointly the best possible solution to that terrifying problem.

34. In past years, various proposals for tackling the job adequately had been discussed. He would recall the plan — of Latin American origin — to establish an international development authority. The Pineau plan, conceived by the visionary French mind, had been another attempt to put the problem in its right perspective. Unfortunately, it had so far been impossible to put those plans into practice, but they retained their value as pointers for the future.

35. The three aspects of the problem now before the Council — the international flow of private capital; the collection of information on international economic assistance; and the establishment of a multilateral fund of limited scope — were much less far-reaching. The flow of private capital, though important, would never itself enable the gap to be closed. Neither could the collection of information on international economic assistance be more than a useful addition to existing knowledge. Even the multilateral fund would be no more than a first effort to provide under-developed countries with an adequate social and economic infrastructure. Much more was needed if the gap was to be prevented from growing. The raising of the standard

of living in the under-developed countries by two per cent per year — the rate of development in the more developed countries — would require, so the experts estimated, a sum of \$10,000 million per year for some decades. No more than one-quarter of that sum could be derived from savings in the less developed countries, and the remaining \$7,500 million would have to be provided by the developed countries. That certainly seemed an enormous amount of money; yet, if the developed countries would set aside only 1 per cent of their annual national income, that would provide \$1,250 million per year from European countries members of the Organization for European Economic Co-operation alone, or five times as much as the experts had in mind for SUNFED. Those figures showed conclusively that the modest sum the Council was considering could only be regarded as the beginning of an endeavour to provide the under-developed countries with the necessary social and economic infrastructure.

36. The report by the Secretary-General on the international flow of private capital (E/3021) contained all the information on the subject for which the Council had asked. It gave a clear picture of the existing situation, and confirmed the Council's general opinion that the difference between the capital requirements of the under-developed countries and capital exports on private account from the more developed nations had not diminished. The report also stated that capital exports had flowed mainly to the extraction industries, and were made largely in the form of direct investment. Such a direction and form of capital investment did not necessarily correspond to economic priorities, because private capital naturally followed the dictates of such economic considerations as regularity of return, reasonableness of profits and the avoidance of losses.

37. The past had demonstrated the great stimulus which private investment could give to economic development. Changed circumstances, to which neither the exporters of capital nor the capital-importing countries had yet succeeded in fully adapting themselves, had caused that stream of capital to dwindle to a mere trickle. To re-establish the flow of private capital would be one means of improving the financing of economic development. In that respect important work was already being done by the International Bank for Reconstruction and Development (Bank) — an institution operating in the borderland between public and private finance — and the recently established International Finance Corporation (IFC) was starting work in the same field. IFC had made its first investment, and he hoped that more transactions would soon follow. But, limited as those institutions were by the terms of their articles of association, they could not by themselves make the flowers of development grow in the desert that was still thirsting for the rain of financial investment.

38. With regard to the collection of information on the part played by governments in bilateral, multilateral and regional programmes of economic assistance, he observed that the report provided by the Secretary-General at the request of the General Assembly (resolution 1034 (XI) about the scope of assistance under those programmes (E/R.1) contained useful information compiled in a systematic manner, and details not easily found elsewhere, in spite of the fact that, owing to the

short time available, it had been impossible to make more than a preliminary and incomplete survey. It had been suggested that surveys of that kind should be made periodically; his delegation would have no objection, provided that "periodic" did not necessarily mean "annual".

39. He did not feel able on the basis of that material to estimate the scope of economic assistance rendered. It would not be possible to do so without comparable data from recipient countries and an analysis of the use they were making of the aid received. The one point, however, which emerged clearly from that first investigation was that, while the amounts given and lent to the under-developed countries as a whole were undoubtedly impressive, bilateral aid was in some cases prompted by motives different from those governing the aid provided under the various United Nations programmes of assistance. For that reason — among others — his delegation urged that, however informative the report might be, the Council should keep constantly in mind its primary responsibility for furthering world-wide economic and social development by taking collective measures embodied in multilateral programmes under the auspices of the United Nations.

40. In preparing his statement on SUNFED, he had perused some of the records of earlier discussions, both in the Council and in the General Assembly, and had found them somewhat disheartening. The matter had been discussed so exhaustively in the past that it seemed hardly possible to contribute anything new. Only one word had been persistently missing: the decisive word that would transform a plea into a deed.

41. His delegation attached great value to both reports submitted by the *Ad Hoc* Committee, but maintained that the Council's most important task was not to discuss those reports in detail, but rather to consider once more the basic principle of the enterprise envisaged, which was that the only adequate means of financing the construction of the social and economic infrastructure of under-developed countries was the establishment of a multilateral fund within the framework of the United Nations, a fund in whose organization and management both the more developed and the less developed countries would take part on an equal footing. Until a decision had been taken on that basic principle, it would be unwise to discuss technical details, even the amount which would be needed to start the fund. Naturally, he hoped that the amount would not fall too far short of that mentioned in earlier discussions, but from a procedural point of view it would seem better to take the decision first, and only thereafter to see how much could be raised. It might be that the initial sum would be less than had been hoped for, but it would be better to make a real start, even in a modest way, than to keep on adopting high-sounding resolutions which were never followed by action.

42. It appeared from the supplementary report of the *Ad Hoc* Committee (E/2999) that some countries had been moved, by frustration induced by the repeated postponement of the final decision, to start thinking of alternative solutions. He was not referring to countries such as Argentina, which had made useful suggestions about the manner in which SUNFED could operate in

practice. But he believed that consideration at the present stage of suggestions which were tantamount to substitutes for SUNFED would not be in the interests of the development of under-developed countries, first, because the palliatives suggested were not real alternatives in the sense of providing different methods of attaining the same objective, and secondly, because the discussion of other proposals would be likely to divert the Council's attention from the main objective. So long as the objective had not been shown to be unattainable — which could only be done by a definite refusal on the part of the General Assembly to establish SUNFED — other proposals should be regarded as premature.

43. His delegation's views on the matter were conditioned by three considerations. First, both the Council and the General Assembly had repeatedly expressed themselves in favour of the principle of establishing a multilateral fund. Secondly, it was clear from the final report of the *Ad Hoc* Committee (E/2961) that a majority of States Members of the United Nations was in favour of the immediate establishment of such a fund. Thirdly, the establishment of a fund was economically desirable and possible, would strengthen the United Nations, would help the less developed countries in their efforts to achieve economic development and would thereby contribute to the economic stability and the peace of the world. He thought that the validity of those three considerations could hardly be disputed. His delegation had carefully reconsidered all arguments previously advanced against the immediate establishment of a fund, and had again come to the conclusion that no sound case had been made against it.

44. In the first place, it could not be maintained that the scheme would only be feasible after world-wide and internationally supervised disarmament had been achieved. Disarmament, it was true, would undoubtedly affect the financial resources of the fund, but no economist would dare to defend the thesis that, given the willingness to contribute, the nations of the world would not be able to afford \$250 million for an economic effort for peace, when they were already spending \$85,000 million every year, or 340 times as much, on defence.

45. Neither could it be maintained that, economically speaking, the money needed to start a fund would place an unbearable burden on the more developed countries. The yearly flow of capital to self-governing and non-self-governing under-developed territories could be roughly estimated at \$3,000 million, \$2,000 million from public and \$1,000 million from private sources. A small part of that bilateral help might be used for multilateral assistance, and his delegation would stress that the latter was much more effective than the former. In any bilateral system, political or profit considerations were likely to play a predominant part, whereas under multilateral systems the assistance was primarily directed towards raising the standards of living in the less developed countries, and was therefore bound to have a more beneficial effect. Further, the less developed countries had repeatedly expressed the view in the Council and the General Assembly that a multilateral system was to be preferred, because it was less apt to be accompanied by interference in their domestic affairs.

46. As his delegation had often asserted, the question of establishing a multilateral fund was not primarily an economic one. The true point at issue was whether States Members of the United Nations were willing to agree to a multilateral system and to furnish the means needed for its operation. The answer to that question should not be evaded under a smoke-screen of economic arguments. If multilateral co-operation within the framework of the United Nations was acceptable for technical assistance and for the development of nuclear energy, why should it not be brought to bear on the urgent problem of financing economic development?

47. Efforts had been made in the past to get a resolution on the subject adopted unanimously. His delegation still hoped that a unanimous decision on the establishment of SUNFED would be possible. But unanimity, however important, had no magic powers, and it would be wrong to make everything else dependent upon it. There came a time when it was the responsibility of delegations to make their position known without ambiguity, and unanimity lost all value when it led to stagnation. If one or more delegations felt unable to commit themselves at present to the establishment of a multilateral fund, their hesitation should not prevent the others from going ahead. All States Members had repeatedly accepted the principle of the fund, and very few had objected to its immediate establishment. He could not therefore see why the majority should defer a decision any longer. It would be better to proceed and to leave it to each country to decide whether it would participate forthwith or later. There were many bodies in the United Nations family which had not enjoyed the support of all States Members at the time of their establishment, but which had subsequently extended their membership.

48. The assertion by the Yugoslav representative at the 974th meeting in the general debate on the world economic situation that the future of the United Nations would depend on the establishment of SUNFED might have sounded an exaggeration, but it was true in the sense that the raising of standards of living and the narrowing and closing of the gap between the more developed and the less developed countries would in the end be decisive for the success of the United Nations. During the past year the United States Secretary of State had repeatedly urged that the world's great problems should find their solutions through the United Nations. The practical application of that wise and truly noble view meant that the extremely serious problem of the financing of economic development should also find its solution through concerted action in the United Nations. His delegation was confident that, if such action were taken, the great and generous people of the United States of America would not fail to contribute their share to a deserving effort which served a purpose close to their hearts. It should be borne in mind that if the United Nations failed to take even the first step towards the solution of that world problem, its authority with all peoples would suffer. Even as it was, its authority did not go unchallenged. Most countries, like his own, had been willing to extend to the United Nations a large moral credit, but every disappointment and every display of inaction eroded away a little more of it. It was therefore

for the United Nations to do its duty before the credit was entirely exhausted.

49. To pursue his comments to their logical conclusion, he was introducing, in the name of his own delegation and its co-sponsors, the delegations of Argentina, Egypt, Greece, Indonesia, Mexico and Yugoslavia, a draft resolution on the subject (E/L.764). The first and second paragraphs of the preamble were nothing more than statements of indisputable fact, while the third paragraph set forth the attitude of the delegations sponsoring the draft resolution. He would be extremely happy if the draft resolution commanded unanimous support, but, even if it did not, a large majority might ensure that effective action would at last be taken.

50. Mr. DRAGO (Argentina) observed that economic development could not be achieved through international financing alone, but called also for other forms of co-operation, already mentioned in the discussion on the world economic situation, such as the stabilization of primary commodity prices, an increase in world trade in primary commodities, and adequate technical assistance to the under-developed countries, which had been provided so effectively by the United Nations.

51. After surveying the history of studies on the financing of economic development from the beginning of 1952, when the General Assembly in resolution 520 (VI) (paragraph I) had requested the Council "to submit . . . a detailed plan for establishing, as soon as circumstances permit, a special fund for grants-in-aid and for low-interest, long-term loans to under-developed countries", until the present date, when the Council had before it the final and supplementary reports of the *Ad Hoc* Committee, he observed that the time had now come for the Council to deal with the question of the financing of economic development in the light of all the reports so far submitted.

52. His Government was always willing to collaborate in any action designed to facilitate and accelerate the process of economic and social development in the under-developed countries, and therefore took a sympathetic view of the plan to set up SUNFED, which it hoped would enjoy the support of the financially powerful countries.

53. At the General Assembly's eleventh session, the Argentine delegation had pointed out in the Second Committee that its country was unlikely to be a major contributor to, or beneficiary of, SUNFED, since all its financial resources were urgently needed for domestic development (which also required considerable foreign capital that was difficult to obtain in the necessary quantity) and since, on the other hand, Argentina, in view of its relatively advanced stage of development, was not among the countries which would be entitled to make extensive use of the type of financing for which SUNFED was intended. That disinterested position enabled his delegation to consider the report of the *Ad Hoc* committee with complete objectivity.

54. He noted that, while the plan to establish SUNFED had the support of the great majority of countries consulted by the *Ad Hoc* Committee, countries with large financial resources still had reservations about the fund, arguing that its establishment would be premature in the existing political situation and before an

agreement on disarmament had been reached. His delegation believed that, without the assistance of the latter group of countries, SUNFED's situation would be precarious, since it could not then be operated for the purposes for which it was intended. The argument that it was still too early to establish SUNFED had been refuted by other delegations, but it was no use labouring the point, since the financially powerful countries persisted in their attitude. As a result, the position was much the same as at the Council's twenty-second session.

55. On that occasion, his delegation had emphasized that SUNFED would require a very large capital if it were really to produce effective results in the economic development of under-developed areas, having pointed out, for example, that an investment of \$1,200 million would be needed to increase the gross income in Latin America by one per cent per annum (see E/SR.947, paragraph 43). During the eleventh session of the General Assembly, the Brazilian representative, speaking in the Second Committee, had observed that, in the view of United Nations experts on economic development, some \$10,000 million from outside sources would be needed to secure the very modest yearly increase of 2 per cent in national incomes per head of population in the under-developed countries. The magnitude of the sum involved certainly justified the attitude of countries which had made the establishment of SUNFED conditional on the savings to be achieved through disarmament, as contemplated in the declaration contained in General Assembly resolution 734 A (VIII), and also explained that of governments which made their participation in the fund conditional on that of the financially powerful countries. It seemed, therefore, that if the community of nations wished to undertake such an extensive enterprise, conditions should be created such as would induce that latter to contribute generously to SUNFED, provided that there was a distinct improvement in international relations.

56. Though convinced that SUNFED would play a most important part in promoting economic development, his delegation believed that, pending the advent of favourable international conditions, the Council should consider the possibility of less ambitious but more feasible action. At the 435th meeting of the Second Committee of the General Assembly, his delegation had already suggested that a body with limited functions and of limited composition should be established to finance effective projects to develop output in the economically weaker countries.

57. The type of body envisaged was a small United Nations organization responsible to the Council and co-operating closely with the Technical Assistance Board, the Bank and the United Nations Children's Fund, with responsibility for promoting the financing, by means of public funds provided by Member States, of basic projects for the economic development of under-developed countries which could not be financed by existing inter-governmental financial agencies.

58. With the same idea in view, his delegation had proposed at the Council's twenty-second session that a special fund be formed to finance the establishment of regional centres for surveying natural resources and of regional

technical institutes, to be fed by voluntary contributions from the developed countries in each region and from other States Members of the United Nations which might decide to contribute towards the technical progress of the under-developed countries and the systematic survey of natural resources (see E/SR.947, paragraphs 43 to 49). If regional centres for surveying natural resources were set up, they would provide valuable machinery on a permanent basis for implementing Council resolution 614 C (XXII).

59. His delegation considered that those two proposals could perfectly well be combined, since they were not mutually exclusive. Indeed, if the small organization suggested in the Second Committee were set up, it could be asked to give priority to financing the establishment of the regional centres and institutes, in which case there would be no need to set up a special fund for the purpose. If the two proposals met with the Council's approval, he would be prepared to help to give effect to them by submitting a draft resolution in the Economic Committee. And in the event of the proposals being accepted, it might be advisable to ask the *Ad Hoc* Committee itself to examine them at once, to submit them to the governments of States Members of the United Nations and to report on the results to a future session of the Council.

60. There was no intention that the small organization should replace SUNFED; his country would be happy to see the latter established as soon as possible, but did not believe it would be effective without the participation of all States Members. The small organization would be but a preliminary step towards its establishment, but it would mark an important stage in satisfying the prevailing desire to solve the problem of financing economic development.

61. Finally, his delegation wished to express its appreciation of the excellent reports which the *Ad Hoc* Committee had prepared.

62. Mr. CARNEIRO (Brazil) declared that, after consideration of the final and supplementary reports of the *Ad Hoc* Committee, his delegation still maintained the position which it had long upheld in the Council and in the General Assembly, which was based on the following principles. First, the provision of more generous financial help to under-developed countries was a matter of urgency, since the creation in those countries of the economic and financial conditions necessary for development could not be achieved either by the movement of foreign private capital or by loans of a strictly banking nature, such as those made by IFC and the Bank. Secondly, contributions to SUNFED should be assessed in accordance with the principles of progressive taxation, since a purely proportional basis of assessment for contributions would result on the one hand in a decrease in the rate of capital formation in under-developed countries and on the other in a tendency for the advanced countries to adjust the size of their contributions to the more limited contributions of the less developed countries.

63. His delegation continued to support SUNFED as a matter of principle, and would vote in favour of draft resolution E/L.764, although it was very sceptical about

the present possibilities of establishing SUNFED, particularly as a special committee of the United States Senate was considering setting up a similar fund for external financial aid, to be provided by the United States Government on a bilateral basis.

64. With regard to international and national measures to increase the flow of private capital for economic development, his delegation took the view that that objective could only be achieved effectively by a fundamental revision of the articles of association and working methods of the Bretton Woods institutions, especially the Bank. His Government was most seriously concerned at the existing lack of co-ordination between activities of the Bank and the International Monetary Fund (Fund) and by the particular conditions and methods of action prevailing in the economic and social spheres in the present-day world. Although the Bank's current annual rate of lending was somewhat higher than it had been in the past, its loans to seriously under-developed countries did not average more than \$100 million a year, and the Brazilian Government maintained that its scale of operations was far too limited, for the following reasons. In the first place, since the Bank drew its funds mainly from the United States money market, it had to comply with the institutional rules for financial reliability obtaining in that market; and those rules, although adequate in the economic and social conditions of the United States of America, were not well suited to promotional investment. Secondly, the Bank itself did not engage in equity investment, and its loans had to be underwritten by governments through national treasuries, national development banks or central banks, since the Bank was obliged to preserve *vis-à-vis* its bond-holders a credit standing which induced it to behave most timidly towards its most needy members, the seriously under-developed countries. Thirdly, it had been the original intention and hope at Bretton Woods that the Bank would act as a "pump primer" for encouraging the investment of private capital on the scale necessary for financing the larger part of the developments planned. Such hopes had been realized only to a very limited extent in the establishment of IFC, and the Bank itself had not fulfilled them at all.

65. For those reasons, his Government believed that the Bank should be authorized to expand its lending to the limit of available funds for worth-while projects adequately and jointly planned by it and the governments of under-developed countries. It should be remembered that, if a country was under-developed, it had not acquired the ability to present its economic aspirations in terms of well prepared plans ready for immediate execution and meriting investment.

66. The Bank, moreover, should be entitled to extend its activities in such a way as to induce a greater and more regular flow of private capital, an objective which IFC could help it to reach. That aim could also be achieved by permitting the Bank to raise funds in countries other than the United States of America, and by so doing to act as a catalyst to promote the flow of private capital in the international money market.

67. In the case of the Fund, his Government would like to see it fully performing its intended role of promoting international monetary co-operation, facilitating the

balanced growth of international trade, promoting exchange stability and helping to establish a multilateral system of payments free of exchange restrictions. Since, however, the Fund had been created by the economically advanced countries and was based on theories valid for them, it had been doomed from the outset to provide solutions to their economic problems alone. It lacked the necessary machinery for dealing adequately with the balance-of-payments problems of less developed countries. Owing to the low price elasticity of the demand for primary commodities and to the wide short-term fluctuations in their prices, the Fund, divorced from the Bank and inappropriately associated with the General Agreement on Tariffs and Trade, had been unable, in spite of its good intentions, to exert more than a token influence on the re-adjustment of the balances of payments of under-developed countries.

68. It was therefore his Government's intention to ask the United Nations to consider the possibility of holding discussions on the revision of the principles upon which the Bank and the Fund had been operating since their establishment at Bretton Woods, which might lead either to a modification of policies or to a revision of the very foundations of the Bank and the Fund, or even to the maintenance of the *status quo*. But that announcement was subject to a number of reservations.

69. First, it in no way implied that his Government was criticizing as mistaken former actions by those two institutions, since it recognized that, in conditions and circumstances peculiar to a world emerging from a war of unprecedented proportions, they had done their best to fulfil their objectives. The point his Government wished to make was that for the most part those conditions and circumstances no longer obtained, and that a thorough examination should therefore be made of the activities of the Bank and the Fund to establish whether or not their operating principles needed to be adapted to present conditions and circumstances.

70. Secondly, his Government wished to emphasize that by initiating discussions on the structure and policies of the Bank and the Fund it had no intention of prejudging the issue of their revision. Perhaps, after detailed examination, it might be found that the world economic and social situation had not changed to such an extent as to require revision. The Brazilian Government believed that it was time for the United Nations to make an effort to expand the scale of operations of the Bank, and to modify the machinery of the Fund to enable it to counteract by means of compensatory short-term capital movements the fluctuations in the exchange revenue of countries exporting primary commodities, but it recognized that other governments might have different views.

71. Thirdly, his Government did not intend to raise the question in the Council itself. There was clearly insufficient time at the present session for delegations to consult their governments and, if a draft resolution were submitted, it might lead to hasty decisions and the premature rejection of a measure to which his Government attached the utmost importance. His Government was rather inclined to request the inclusion in the agenda of the twelfth session of the General Assembly of an item proposing that a preliminary report on the subject be prepared by a group of representatives of governments,

of members of the Secretariat, of members of the staffs of the Bank and the Fund and of representatives of the Commission on International Commodity Trade.

72. If the report suggested that a major revision of the articles of association and policies of the two institutions was called for, the group's second task would be to indicate the most appropriate ways and means of carrying it out. If the group were to conclude that nothing more was needed than a broadening of the existing articles of association and policies, the Council itself might be permitted to recommend appropriate steps to the General Assembly. If, however, the group decided that fundamental changes were required, the General Assembly might consider at its thirteenth session the possibility of convening a world conference of ministers of finance to consider and decide how the revision should be carried out.

73. Mr. FARUQI (Pakistan) paid a tribute to the Netherlands representative's eloquent statement, which was all the more impressive in that the Netherlands was one of those countries which would be a contributor to SUNFED and not a beneficiary. There was no need for him to restate the Netherlands representative's arguments, but he would wish to speak about some aspects of the problem as it appeared to under-developed countries.

74. One of the major problems of such countries was the pressure of population on material resources. Low standards of living were usually accompanied by a high natural increment, which caused increasing pressure on land and other resources. That created a vicious circle. The poorer the people, the more rapidly they multiplied, and the more rapidly they multiplied, the poorer they became. The primary aim of all development schemes in under-developed countries was to overtake that increase in population, not only to sustain but also to improve the very low standards of living. That led back to the problem of financing, because those very countries lacked the necessary financial resources for undertaking even essential development schemes.

75. Some assistance in that respect had already been rendered by the Bank and IFC, and the Colombo Plan was making its contribution. Measures had also been discussed and suggested for encouraging the flow of private capital to those countries in need of it, but those measures had only touched the fringe of the problem so far as the under-developed countries were concerned.

76. His delegation had studied with great interest documents E/2961 and Add.1, E/2999 and E/3021, and would wish to make some observations of a general nature on them. He noted that of the fifty-four governments which had expressed their views on the establishment of SUNFED, thirteen believed that certain conditions must be fulfilled before that could be done, and that of those one government considered that, until a significant reduction of expenditure on armaments had been achieved there could be little hope that funds on the scale required would be available. The basic question was, therefore, one of timing, and that would depend on the attitude of the countries which would have to contribute to SUNFED. Once a decision on timing had been taken,

other details of SUNFED's establishment could be settled without delay.

77. With regard to the international flow of private capital, his delegation had been gratified to read in the Secretary-General's report (chapter I, section 1) that "in 1956 . . . the outflow of [private] capital attained the highest level of the post-war period, rising substantially above that of the preceding several years". But the report also indicated that the flow to under-developed areas in Asia and the Far East, the Middle East and Africa, which had already been scanty, "did not increase significantly, except in the case of western European oversea territories" (*ibid.*). Further, tightness in the United States capital market and increased uncertainty about the international situation might tend to reduce the flow of private foreign investment below the 1956 level. It was clear that the flow of private capital to the under-developed countries was not increasing in any substantial measure, and was not likely to do so in the near future — a matter which was causing those countries deep concern. While there were hardly half a dozen capital-exporting countries, there was a long queue of countries in need of capital, in which the under-developed countries, which needed it the most, stood last. It was true that any flow of private capital to such areas would only satisfy a small proportion of their needs, and that for the bulk they would still have to rely on friendly countries for aid and loans. Nevertheless, all possible efforts should be made to encourage the flow of private capital. In that connexion, treaties between countries containing provisions aimed at the elimination of such special obstacles as rigid exchange controls, inequitable tax statutes, drastic expropriation laws and other laws which did not afford investors a proper measure of security against abnormal risks, were welcome signs. What was required of the capital-importing countries

was that they should introduce measures to inspire the confidence of those seeking to invest abroad, such as facilities for the transfer of profits and the repatriation of capital, and fair treatment for foreign enterprises and their staff. On the part of capital-exporting countries, unilateral relief from double taxation of profits earned from investments abroad and governmental guarantees to investors abroad against non-business risks would be helpful. To obtain better results, it was essential for the exporting and importing countries to make closer contact with one another.

78. In that respect, the Council had been playing an important role in advising the capital-exporting and capital-importing countries on measures they could take in that direction. In Pakistan, there was a five-year development plan estimated to cost about 11,000 million rupees, of which the foreign exchange cost would be about 5,200 million rupees. Of the latter component, it was expected that about 1,000 million rupees could be raised from his country's own reserves, whereas, in respect of the balance of some 4,200 million, the implementation of the plan would depend upon the provision of external assistance in the form of private capital loans and aid. For its part, therefore, his country had done everything possible to encourage private capital to those sectors of the economy where it was most urgently needed. Apart from liberal tax concessions, full provision was made for the repatriation of profits earned on such capital and of the capital itself, including any capital gains.

79. Finally, his delegation thanked the *Ad Hoc* Committee and the Secretary-General for their useful and instructive reports.

The meeting rose at 5.30 p.m.