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Chairman: Mr. Janez STANOVIK (Yugoslavia).

AGENDA ITEMS 12, 29 AND 74

Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (A/4415) (continued)

Economic development of under-developed countries (continued):

- (a) International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);**
- (b) Question of the establishment of a United Nations capital development fund: report of the Secretary-General (A/4488, E/3393, E/3393/Add.1-4);**
- (c) Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council (A/4489 and Add.1, E/3379, E/3379/Add.1-7);**
- (d) Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)**

Land reform (A/4439) (continued)

CONSIDERATION OF DRAFT RESOLUTIONS (A/C.2/L.472 AND ADD.1-3, A/C.2/L.514) (continued)

1. The CHAIRMAN invited the Committee to continue its consideration of the forty-four-Power draft resolution on a United Nations capital development fund (A/C.2/L.472 and Add.1-3).

2. Mr. NATORF (Poland) said his delegation regarded the economic development of the under-developed countries as the second stage in their fight for independence. Measures to promote their development were essential for economic as well as humanitarian and political reasons, since the world economy would be strengthened by the integration of the under-developed countries into the general pattern of production. In considering such measures, it was important, however, that the wishes of the under-developed countries themselves, which were clearly expressed in the forty-four-Power draft resolution, should be respected. The Committee had now to decide whether to make real progress towards the establishment of a United Nations capital development fund, or again to defer action on the matter indefinitely. His Government had always been in favour of the establishment of such a fund and would support the proposal.

3. Mr. CAMARA SIKHÉ (Guinea) said that the idea of a United Nations capital development fund had the support of a number of countries in addition to the forty-four sponsors of the draft resolution and could therefore command a majority in the Committee. In accordance with the principles of democratic parliamentary procedure, a dissident minority should accede to the wishes of the majority and not obstruct their fulfilment.

4. In their statements on other draft resolutions before the Committee, the representatives of some of the dissenting countries had themselves stressed the need for rapid economic development of the under-developed countries and the desirability of increasing the flow of capital and of technical skills to those countries through international channels. Numerous General Assembly resolutions had made similar recommendations. The thousand million inhabitants of the under-developed countries were prepared to make great efforts and sacrifices for that development, recognizing that the responsibility for achieving it rested primarily with themselves. Many of the countries concerned possessed great natural wealth but they stood in need of external capital assistance to enable them to use their material and human resources to raise the levels of living of their peoples. The industrial countries, which were in many cases responsible for the backwardness of the less developed countries, were in duty bound to furnish such assistance and could do so most effectively through a United Nations capital development

fund. If action was not taken to increase the present admittedly inadequate flow of capital to the under-developed areas, the consequences might be disastrous, for without the capital needed to modernize agriculture and to industrialize, the less developed countries could not satisfy the demands of their rapidly growing populations.

5. The adoption of the draft resolution would therefore help to promote economic and social progress and ensure world peace and stability. There was no justification for deferring action on such a vital matter, and he hoped that the sponsors of the amendments in document A/C.2/L.514 would reconsider their position.

6. Mr. RAJAPATIRANA (Ceylon) said that the higher standards of living, full employment and conditions of economic and social progress which the United Nations was pledged to promote in Article 55 of its Charter were far from being achieved, as was apparent from the mass of information furnished by the Economic and Social Council, the Secretariat and the regional economic commissions. International economic assistance for the advancement of the world's peoples had hitherto proved woefully inadequate. A hundred under-developed countries with a total population of about 1,250 million had an annual per caput income of around \$100, which was rising very slowly whereas the population was increasing by about 2 per cent per annum, largely as a result of improved medical care.

7. The problem placed a grave responsibility on all nations, but he believed that, if full use was made of the better knowledge available today, the challenge could be met. Ambitious aid projects, such as the Marshall Plan, had given rise to wide-spread apprehensions when initially proposed, but had subsequently been adopted and had achieved signal success. He thought that the doubts expressed with regard to a United Nations capital development fund were similarly unjustified. He could not agree that existing international sources for capital assistance were adequate or that the International Development Association was likely to meet all requirements in that field. The membership of IDA was limited to that of IBRD and the Association might well prove to be as limited in its capacity to assist the under-developed countries. In any case the United Nations should bear full responsibility for capital assistance and not relegate the task to other organizations. He believed moreover that the countries most able to furnish assistance through a capital development fund were economically and financially now in a better position than at any time since the fund had been first proposed and he did not feel that they could oppose it on economic grounds.

8. Mrs. WRIGHT (Denmark) recalled that, the Danish Foreign Minister, in his speech to the General Assembly (875th plenary meeting), had recognized the claims of the under-developed countries for increasing capital assistance, primarily to finance the development of their economic infrastructure. She could therefore give an assurance of Denmark's active cooperation if and when a United Nations capital development fund became feasible.

9. While the draft resolution could be adopted by a majority in the Committee, it would have little practical value if it was not backed by the few major capital exporting countries. Without their collaboration the committee proposed in paragraph 2 would be unable to draft statutes for a fund. It would be wise, therefore,

first to persuade the major potential contributors to co-operate in a study of the possibility of establishing such a fund, in the light of existing economic conditions and the needs of the under-developed countries. The spontaneous flow of foreign capital to those countries had proved inadequate and it was clearly desirable to consider the feasibility of a fund. The capital exporting countries would, however, have to be convinced of the merit of that fund and the four-Power amendments were intended to encourage the sponsors of the draft resolution to formulate a text that would secure their support.

10. Mr. IRWIN (Canada) said that his delegation had considered the draft resolution in the light of earlier proposals for a United Nations capital development fund, recent progress in international financing, and Canada's own financial position. Canada shared the view that as much development capital as possible should be channelled to the less developed countries, and was now contributing about \$70 million annually to United Nations and bilateral assistance programmes. That assistance, largely in the form of grants, was furnished from public funds and was in addition to funds made available for relief and reconstruction in disaster stricken areas. His country had thus given practical expression to its recognition of the need of less developed countries for capital.

11. His delegation had therefore always given its support in principle to the proponents of a capital development fund, but had abstained from voting on earlier proposals because it believed there was no point in establishing a fund, unless it could attract sufficient resources to operate effectively. Its support in principle had also been based on the fact that until recently no international body had been able to provide capital on a large scale for non-bankable projects. A new factor had however been introduced by the establishment of IDA, which was designed to fulfil most of the functions of a United Nations capital development fund. His delegation believed that until IDA had shown its capabilities, it would not be possible to decide whether a parallel fund was required. A multiplicity of international agencies operating in the same area might diffuse the available resources of capital and skills to the detriment of the efficiency of individual agencies.

12. Some doubts had been expressed regarding the scope and organization of IDA, but it had the conspicuous advantage of being already in existence, with a highly qualified and experienced staff, and of having already attracted sizable contributions. IDA was already larger than any capital development fund contemplated in the past and the discussion in the Committee had shown that sufficient capital to make such a fund effective was not likely to be forthcoming. As the Secretary-General had reported in document A/4488, there had been no significant change in the attitude of most Governments to the establishment of a capital development fund. In those circumstances, his Government would fully meet its obligations under IDA and other international financial organizations to which it was a party, and would continue to furnish other development assistance, but it still believed that it was premature to consider the establishment of a United Nations capital development fund. His delegation would, therefore, abstain from voting on the draft resolution.

13. Mr. EL-MUTWALLI (Iraq) proposed the suspension of the meeting to enable the sponsors of the

draft resolution to consider a revision of the text in the light of the discussion.

The meeting was suspended at 11.45 a.m. and resumed at 12.35 p.m.

14. U HLA MAUNG (Burma) announced that the sponsors hoped to submit a revised text to the Committee at its next meeting.

15. Mr. B. K. NEHRU (India) stressed that none of the opponents of the draft resolution had made it clear exactly why they objected to the establishment of a United Nations capital development fund. They had asked what such a fund could do that other existing international financial organizations could not do. The answer was easy: they could not, for example, be used to finance a steel factory in the public sector. The International Development Association did not have the necessary universality and its method of voting was weighted. It reflected the philosophy only of those Powers which had the majority. The under-developed countries wanted a financial organization in which they had an effective voice and that was why they appealed for the establishment of a United Nations capital development fund.

16. Mr. HASSAN (Sudan) observed that all were agreed on the general principles underlying the establishment of a capital development fund; the only question in dispute was that of timing. It should not be forgotten that when the Expanded Programme of Technical Assistance, the OPEX programme and the Special Fund had first been mooted, fears had been expressed about lack of funds but had proved groundless. The fears now being voiced about the establishment of a capital development fund were likewise unjustified.

17. The draft resolutions already adopted by the Committee revealed a unanimous feeling that increased capital should be channelled to the under-developed countries through the United Nations. It was high time that that important principle was put into practice by the adoption of the joint draft resolution.

18. Mr. BRILLANTES (Philippines) pointed out that all members of the Committee were agreed on the fundamental principle that a rapid flow of capital from the highly industrialized countries to the under-developed countries was essential. The Expanded Programme and the OPEX programme were doing useful work in furthering the spread of technical knowledge and the Special Fund was providing valuable assistance in the field of pre-investment, but as a means of accelerating the present flow of capital to the under-developed countries and of closing the gap between them and the highly industrialized countries they were wholly inadequate. Nor was the need being met by IBRD or its affiliate, IDA. What was wanted, as Mr. Paul Hoffman, Managing Director of the Special Fund, had stressed, was a multilateral fund which ensured that the recipient nations could obtain aid without any loss of dignity or sovereignty and without political conditions. None of the existing financial organizations could fill the need for a capital development fund and none could come to full fruition without the establishment of such an agency. The Netherlands representative had pointed out that, according to the Charter, the United Nations should be a centre for harmonizing the actions of nations; it should not be transformed into a centre for paralysing such a constructive measure as the establishment of a capital development fund. The necessary studies and recommendations had already been made;

all that remained was to reach a decision to establish the fund and to implement it. For the good of mankind, the joint draft resolution should be adopted.

19. Mr. BOIKO (Ukrainian Soviet Socialist Republic) said that his delegation had always favoured the establishment of a United Nations capital development fund because it sympathized with the under-developed countries' desire to receive capital on an international basis in order to develop their economies. As the representatives of such countries had stressed in the Committee and elsewhere, they were loath to be placed in a position where political, military and economic conditions were attached to the acceptance of financial aid. The role of private capital in the development of under-developed countries had been stressed by some delegations but the fact remained that its recipients were extremely wary of it and preferred capital channelled through the United Nations. It was quite unjustified to maintain, as many delegations did, that the capital provided by existing financial organizations was adequate to meet the needs of the under-developed countries; as the preamble to the draft resolution stated, it was, both in nature and scope, wholly insufficient. The real reason for the opposition of some of the industrialized countries to the establishment of a capital development fund was their concern to protect their own private investors. His delegation considered that the fund would help to protect the under-developed countries against the dangers of private investment and it would therefore vote for the draft resolution.

20. Mr. GALLEGOS (Ecuador) said that his country was a sponsor of the draft resolution because it felt that the United Nations must fulfil the hopes placed in it and help to solve the fundamental problem of under-development. It had been alleged that there were great difficulties in the way of establishing a capital development fund but similar difficulties had been overcome in the case of the technical assistance programmes and other measures designed to assist the under-developed countries. The problem could not be subordinated to political considerations or to progress in the field of disarmament. Since all were agreed on the need to help the under-developed countries, it was difficult to understand the tenor of the four-Power amendments (A/C.2/L.514): indeed they could hardly be called amendments since their effect would be to make the draft resolution ineffective. His delegation hoped that the Committee would be responsive to world public opinion and support an endeavour which was designed to ensure the progress of all peoples.

21. Mr. CARANICAS (Greece) said that the sponsors of the four-Power amendments were as keen to establish a capital development fund as the sponsors of the joint draft resolution. However, they wanted the fund to command the support of the largest potential contributors and not merely to remain a paper project. He was therefore surprised at the somewhat unrealistic position taken by the Iraqi representative (692nd meeting). The majority of the Committee were in favour of the principle of establishing the fund but the real issue was when and how it would become a reality. There was little point in deciding to set up the fund and to appoint a drafting committee if a number of the highly industrialized countries were prepared neither to subscribe to such a decision nor to serve on such a committee. The text as now drafted had no practical value and should be altered along the lines suggested by the sponsors of the four-Power amendments.

22. Miss HARELI (Israel) observed that there was general agreement upon the need for increasing capital assistance to the under-developed countries; it was only the methods of achieving that objective which were in dispute. Her delegation had favoured the original idea of SUNFED and had also given its support to the Special Fund and IDA. Furthermore, it approved of the idea to establish a United Nations capital development fund because there was no universal organ of the United Nations fulfilling that purpose. However, the decision to launch the fund was so momentous that it should command the widest possible support. If such support was not forthcoming, it would be better for the Committee to reaffirm its belief in the idea and work for an early establishment of the fund. Such was the reasoning that lay behind the four-Power amendments. Her delegation therefore hoped that the joint draft resolution would be re-worded in such a way as to receive the widest possible support.

23. Mr. AYARI (Tunisia), speaking in support of the draft resolution, said that the record of what had so far been accomplished through international assistance to the under-developed countries and the recent proliferation of new organs and agencies for supplying such assistance in themselves showed that the needs of the under-developed countries were not being met, either quantitatively or qualitatively. In his delegation's view, the time had come for a thorough re-examination of the question from that point of view, and it was in that spirit that it had joined in sponsoring the draft resolution. The arguments advanced in the Committee against the draft resolution were difficult to reconcile with the expressed intentions of the Governments from which they emanated.

24. Mr. WOULBROUN (Belgium) said that his Government had gone on record in the past as supporting the establishment of a United Nations capital development fund provided certain conditions were fulfilled, among them that the chief industrial countries should be prepared to contribute financially to such a fund. In view of the fact that those countries were not now prepared to do so, his delegation did not think the draft resolution, or the establishment of a committee, in addition to all the other committees which had done preparatory work on the question, could contribute to the attainment of the objectives of the sponsors of the draft resolution, which were to make substantial additional financial resources available to the under-developed countries. Moreover, the establishment of a number of other financing agencies and institutions in the last few years showed that a sincere desire to help the under-developed countries existed and that a steadily increasing volume of aid was being extended to them.

The position had thus altered considerably and his delegation was not sure that the addition of a new body to an already complex institutional system would really help the unindustrialized countries; his Government would in any case be unable to undertake just then any financial commitment to such a new body. For those reasons, his delegation could not support paragraph 1 of the draft resolution. However, it respected the desire of the under-developed countries to receive the largest possible amount of assistance and hoped they would by degrees receive it in a form which would be both effective and fully satisfactory to them.

25. Mr. GEORGIEV (Bulgaria) said it was now clear that the issue dividing the Committee was whether the capital development of the under-developed countries could in part be carried out through the United Nations or whether that possibility was to be ruled out. The capitalist countries proclaimed their willingness to help the under-developed countries but refused to do so through the United Nations because they were not the absolute masters of the Organization and wished to restrict their aid to bodies over which they exercised complete control. Certain imperialist circles in the capitalist countries wished to maintain their domination over the less developed countries and therefore feared any transfer of aid to organs beyond their control; their position, at bottom, was that the less developed countries must either accept aid extended under their control or get none at all. On the other hand, the socialist countries were in favour of extending such assistance to the less developed countries through the United Nations. The less developed countries were now beginning to understand that in order to obtain aid in that form they would have to demand rather than request it.

26. Mr. KITTANI (Iraq), exercising his right of reply, said that the Greek representative had, by implication, accused the sponsors of the draft resolution of a lack of realism. That was not true; the sponsors were well aware that the proposed capital development fund could not operate unless the industrial countries were willing to finance it. But they had already waited nine years for those countries to express their readiness to do so; it was the attitude of those who were willing to go on waiting forever, without endeavouring to show the industrialized countries the depth and extent of the desire of the less developed countries for such a fund, which must be characterized as unrealistic. Nor could it be regarded as realistic to ignore the expressed wishes of a large majority of the ninety-nine countries which made up the United Nations.

The meeting rose at 2.05 p.m.