

No. 53/53

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED  
COUNTRIES

Text of a statement delivered on October 26, 1953, by the Canadian Representative in the Second Committee of the eighth session of the United Nations General Assembly, Senator S.S. McKeen, dealing with agenda item 26 - Economic Development of Under-Developed Countries. The debate was concerned with proposals for the establishment of a special fund (SUNFED) for grants-in-aid and for the establishment of an International Finance Corporation.

Note: The texts of the three resolutions adopted by the Committee and the results of the voting are included at the end of the statement.

The Canadian Delegation has followed with interest the important debate on the economic development of under-developed countries which has occupied the Committee for the last two weeks. This debate has shown that there are important differences of view among the members of the Committee, though these relate more to matters of timing and method than to our objectives, which have been embodied in Articles 55 and 56 of the Charter. We now have before us three draft resolutions which relate particularly to the financing of economic development by means of an international fund, within the framework of the United Nations. While reserving the right of my delegation to discuss these resolutions later in more detail, I may point out that there is a broad basis of agreement in these resolutions and that in the spirit of accommodation and compromise which has so far been manifest, it should be possible to reach the unanimity of approach which a subject so important certainly deserves and should receive.

The Government of Canada has followed closely the discussions on the financing of economic development which have occupied so much of the attention of various United Nations organs during the last few years. It has been fully aware of the great need for economic development in many parts of the world and of the improvement in living standards which could be brought about by the adoption of new and improved methods of production - both agricultural and industrial - and by the further development of natural resources which are at present untapped or perhaps wastefully used. Canada, as a comparative newcomer in the brotherhood of nations, has had recent experience in the development of its own resources and can hardly ignore the advantages which come from such development, supported where necessary by external capital. Indeed, our country is at the present time, as most of you know, undergoing a new and impressive phase of resource development, and even today, as in past decades, continues to attract capital from outside its borders. Such external capital assistance as we have received has always taken the form of private loans, direct private investment and the like, rather than assistance from governments or international financial institutions, and we do not believe that the under-developed countries should under-estimate the

great possibilities that exist for them, even now, should they find it possible to interest private capital in the development of some branches of their economy. Incidentally I would like to interject at this point that too much emphasis has been made in some quarters of the dangers associated with private capital imports. So far as Canada is concerned experience shows that while we have attracted substantial amounts of private capital from abroad in the past, and still receive hundreds of millions of dollars every year for direct and indirect investment in our industries - we feel that our economic and political sovereignty is intact. We have not lost control of any of our sovereignty and our progress would not have been anything like so great without the help of imported capital. We hope that the under-developed countries themselves will continue to make every effort by sound internal fiscal policies, well-considered development programmes, equitable and effective tax systems, and efficient administration to attract external private capital to assist in the integrated and well-rounded development of their countries. The statements which have been made by many delegates in this Committee show a thorough understanding of the desirability of utilizing to the full the possibilities of the type of assistance, from which Canada itself, and other newly developing countries, have profited. Our own capital markets in Canada are freely available to all those foreign borrowers who can meet the normal commercial requirements of the investing public.

Nevertheless, the Canadian Government has long since recognized - as have other governments - that for a variety of reasons, some of which have been described in the course of the present debate, there are some countries where imports of capital from private or commercial sources must be supplemented by capital funds subscribed by governments which are able and willing to help in this way. It was because we believed this that the Canadian Government, during the war years, gave its vigorous support to those plans which culminated in the Bretton Woods Conference in 1943 and the establishment of the International Bank in 1946. Our faith in the International Bank as an effective instrument for the encouragement of economic development has been sustained by its record. It has done a good job, and in recognition of this fact, we were glad to make our entire capital subscription in the Bank - some sixty million dollars or so - available for lending in any country, if needs be in American dollars, and glad also to permit the Bank to obtain Canadian capital for the development of under-developed countries by the sale of its bonds in Canada, even during the days when our own foreign exchange resources were being conserved by government controls. I might perhaps add that this was in addition to grants and loans for post-war relief and reconstruction which by March 31, 1953, had totalled over two billion dollars.

Further than this, we have recognized that there are many countries of which the governments and business enterprises cannot as yet meet the ordinary commercial and competitive conditions applied in our own country or in other capital exporting economies, or indeed the requirements of the International Bank. Mindful of this unsatisfied need on the part of certain under-developed countries for other forms of capital assistance, and anxious to give what help we could, we have collaborated

with other members of the Commonwealth, donors and recipient countries alike, in working out the Colombo Plan. Under this plan, we have, in each of the last three years, made available twenty-five million dollars for capital assistance, in addition to just over one million dollars in technical assistance. We have thus been able to help some of our Commonwealth partners to push ahead with new capital undertakings - electric power production, transportation, irrigation, agriculture, and the like - undertakings which could not easily have been concluded without external assistance in the form of equipment and "know how" which we were able to provide.

I mention these things in order to show that we have already recognized the fact that external capital assistance to some under-developed countries must go beyond that which is available through private sources or through the International Bank. Consequently, we are prepared to support, in principle, the extension of this idea to the wider sphere of the United Nations. That is to say, we recognize the desirability, when the time is ripe, of establishing some form of international fund, within the framework of the United Nations, to give further assistance to the financing of development in parts of the world where this is necessary. At the present time, the Canadian people is bearing a proportionately heavy share in the common defence of the free world, in fact, over forty-five per cent of our national budget is at present devoted to the needs of defence. We are, however, prepared to support the declaration contained in the resolution tabled by the United States delegation (document A/C.2/L.204), according to which, when sufficient progress has been made in an internationally-supervised, world-wide scheme of disarmament, the Canadian Government would undertake to ask the Canadian people to devote a portion of the savings thus achieved to an international fund within the framework of the United Nations. Bearing in mind the probable needs of our own expanding economy, we are not able, at this time, to suggest what portion of the savings actually effected would be available for external financial assistance, nor would we consider it either wise or useful to attempt to draw up any hard-and-fast scheme or statute for the proposed fund until the actual circumstances under which it would operate are better known. We would hope, ourselves, that full use would be made of the experience and skill of the International Bank, but beyond this, would not be prepared to go at the present time.

In closing I shall only repeat my belief, earlier expressed, that by understanding and co-operation it will be possible to reach agreement on this important subject.

Voting Results

On November 25, 1953, the Second Committee adopted two resolutions (U.N. Doc. A/C.2/L.217) on the question of establishing a Special Fund for grants-in-aid and for low-interest long-term loans (sub-item A of Item 26). It adopted by 41 votes in favour (including Canada), none against and 13 abstentions (including the Soviet bloc, Bolivia, Colombia, El Salvador, Ethiopia and South Africa)

a United States-sponsored resolution linking the financing of a Special United Nations Fund for Economic Development (SUNFED) to the achievement of "internationally-supervised world-wide disarmament". It also adopted on November 25, 1953, by 50 votes in favour (including Canada) to none against, with 5 abstentions, a resolution submitted by a Working Group of the Committee for further studies and exchanges of views concerning SUNFED.

On November 27, 1953, the Second Committee adopted, by a vote of 46 in favour (including Canada), 5 against (Soviet bloc) and no abstentions, a resolution in three parts (Doc. A/C.2/L.217) which urges governments which have not done so to give early consideration to the merits of establishing an international finance corporation. (Sub-item B of Item 26).

Texts of Resolutions Adopted by the Second Committee

Resolution I - Adopted by the Second Committee on Nov. 25, 1953 (U.N. Doc. A/C.2/L.217)

**ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES**

**QUESTION OF ESTABLISHING A SPECIAL FUND FOR GRANTS-IN-AID AND FOR LOW-INTEREST LONG-TERM LOANS: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL**

The General Assembly,

Having noted Economic and Social Council resolution 482 A (XVI),

Desirous of strengthening the United Nations in its mission of guarding peace and security of all peoples and of promoting higher standards of living and conditions of economic and social progress and development in under-developed countries,

Looking forward to the time when sufficient progress in internationally supervised world-wide disarmament will make it propitious to devote additional resources to assist development and reconstruction, particularly in the under-developed countries,

Adopts the following declaration:

"We, the governments of the States Members of the United Nations, in order to promote higher standards of living and conditions of economic and social progress and development, stand ready 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."

(sub-item A of Item 26). It adopted in favour (including Canada), none against and 13 abstentions (including the Soviet bloc, Bolivia, Colombia, El Salvador, Ethiopia and South Africa).

Resolution II - Adopted by the Second Committee  
on Nov. 25, 1953 (U.N. Doc. A/C.2/L.217)

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

QUESTION OF ESTABLISHING A SPECIAL FUND FOR  
GRANTS-IN-AID AND FOR LOW-INTEREST LONG-TERM  
LOANS: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL

The General Assembly,

Having considered the Report on a Special United

Nations Fund for Economic Development (E/2381) submitted by

the Committee of Nine appointed by the Secretary-General in

pursuance of resolutions 416 A (XIV) of the Economic and

Social Council and 622 A (VII) of the General Assembly,

Mindful of the aim expressed in the preamble of

the Charter "to employ international machinery for the

promotion of the economic and social advancement of all

peoples" and of Articles 55 and 56 of the Charter,

Believing that, especially in the present state

of world tension, the social and economic advancement of the

under-developed countries can contribute towards the achieve-

ment of international peace and security,

Confident that an expanded flow of capital to

under-developed countries would contribute to the solution

of the basic economic problems of our time, both for under-

developed and developed countries,

Considering that the use of international machinery

for financially assisting the acceleration of the economic

development of the under-developed countries contributes to

the achievement of an expanding and stable world economy,

Noting that the efforts made and the activities

undertaken so far by and under the United Nations for the

economic development of the under-developed countries have

proved beneficial and represent a marked advance in economic

co-operation among nations,

Bearing in mind the recommendations contained in

resolution 482 A (XVI) of the Economic and Social Council

relating to a Special United Nations Fund,

Considering that the General Assembly should keep

under review the question of the establishment of a Special

Fund and in particular be attentive to any changes either in

world conditions or in the attitudes of member governments,

which might be propitious to the establishment of such a

fund in the near future,

Hopeful that conditions favourable to the estab-

lishment of an international fund will be created in the

near future and that savings from internationally supervised

world-wide disarmament will provide additional means for

financing the economic development of under-developed

countries, and will further the aims and objectives of such

a fund;

1. Expresses its great appreciation of the work

of the Committee of Nine;

2. Invites governments of States Members of the United Nations and of the specialized agencies in the economic and social field to transmit to the Secretary-General their detailed comments both on the recommendations contained in the Report of the Committee of Nine and on the degree of moral and material support which may be expected from them for such a fund;

3. Decides to appoint the present President of the Economic and Social Council, Mr. Raymond Scheyven, to examine, with the assistance of the Secretary-General, the comments of governments submitted in response to the invitation contained in the preceding paragraph; to collate and where he judges necessary to request elaboration of such comments, if desirable by direct consultation with governments; and to submit to the Economic and Social Council at its eighteenth session an interim report on his work and in any event to the General Assembly at its ninth session a final report together with his comments with a view to assisting it to make such recommendations as it would find possible which could facilitate the establishment of such a fund as soon as circumstances permit;

4. Requests the Secretary-General to:

(a) provide Mr. Scheyven with all necessary assistance and facilities;

(b) transmit to the governments specified in paragraph 2 above the Report of the Committee of Nine together with the records of the discussion on the subject at the eighth session of the General Assembly;

(c) circulate as soon as possible to the governments specified in paragraph 2 above (i) the comments submitted in response to that paragraph and (ii) the final report of Mr. Scheyven, and submit a summary of the comments of governments to the General Assembly at its ninth session;

(d) prepare a working paper, for submission to the Economic and Social Council, on the extent and methods of co-ordination which may be desirable or necessary between the activities of such a fund, the Technical Assistance Board and such of the specialized agencies as may be engaged in tasks relating to the economic development of under-developed countries;

5. Requests the Economic and Social Council to study at its eighteenth session the working paper referred to in paragraph 4 (d) above and to transmit it, together with its views, to the ninth session of the General Assembly;

6. Decides to include in the agenda of the ninth session of the General Assembly a separate item for consideration of the results of the steps provided for above.

Resolution III - Adopted by the Second Committee on November 27, 1953.

STATUS OF THE PROPOSAL FOR THE ESTABLISHMENT OF AN INTERNATIONAL FINANCE CORPORATION: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL

Financing Economic Development

The General Assembly,

Bearing in mind that the general problem of economic development of the under-developed countries concerns both the under-developed and the more developed countries,

Mindful that the economic development of the under-developed countries depends primarily on their own efforts and resources,

Recognizing, however, that financial resources at present available in the under-developed countries are inadequate to finance the desired rate of economic development,

Believing that additional external resources, both private and public, made available, as appropriate, within or without the framework of the United Nations, would greatly aid the under-developed countries in financing their development programmes,

(VII)

I

Bearing in mind resolutions 622 B (VII) of the General Assembly and 416 C (XIV) and 482 E (XVI) of the Economic and Social Council,

Having considered the reports of the International Bank for Reconstruction and Development on the question of creating an international finance corporation (E/2215 and E/2441),

Bearing in mind that the consultations and study requested below might indicate the practicability of establishing such a finance corporation in the near future,

1. Expresses its appreciation of the useful contribution the International Bank has made to the study of the question;
2. Emphasizes the beneficial effects the proposed corporation could have in so far as it would promote the mobilization of additional domestic resources in the under-developed countries and the flow of external capital into these countries in order to augment the financial resources for their economic development;
3. Urges governments which have not done so to give early consideration to the merits of establishing an international finance corporation and to make known to the International Bank their views on the possibility of supporting such a corporation in time for the Bank to take them into consideration when preparing its report to the eighteenth session of the Economic and Social Council, as foreseen in paragraph 4 below;
4. Requests the Bank to:
  - (a) Analyse in detail the questions raised and the views expressed by governments and non-governmental

institutions concerning the methods of furnishing the capital for an international finance corporation, its functions and operation;

(b) Conduct its consultations in a more intensive manner on the question of the creation of an international finance corporation and on the prospects of financial support for it;

(c) Report to the Economic and Social Council at its eighteenth session on the subjects referred to it in sub-paragraphs (a) and (b) above;

5. Requests the Economic and Social Council to review at its eighteenth session the reports of the International Bank on the question of creating an international finance corporation and to report thereon to the General Assembly during its ninth session;

## II

Recognizing the importance of finding means to stimulate the flow of external private capital to the under-developed countries in order to accelerate their development,

(VII), Mindful of General Assembly resolution 622 C

Requests that the study which is being prepared by the Secretary-General pursuant to General Assembly resolution 622 C (VII) on the general rule of private external capital be examined by the Economic and Social Council during its seventeenth session with a view to ascertaining under what conditions the flow into under-developed countries of private capital can effectively contribute to the harmonious and adequate integration of the economies of those countries and to their economic and social development;

## III

Recognizing the importance of fluctuations in the terms of trade and the effect of these fluctuations on the financing of the economic development of the under-developed countries,

Requests the Economic and Social Council to consider at its seventeenth session the report prepared by the group of experts appointed pursuant to General Assembly resolution 623 (VII) and to make such recommendations as it may find desirable for consideration by the General Assembly at its ninth session.

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