

Odd documents of possible relevance to UN action or history - put together ...

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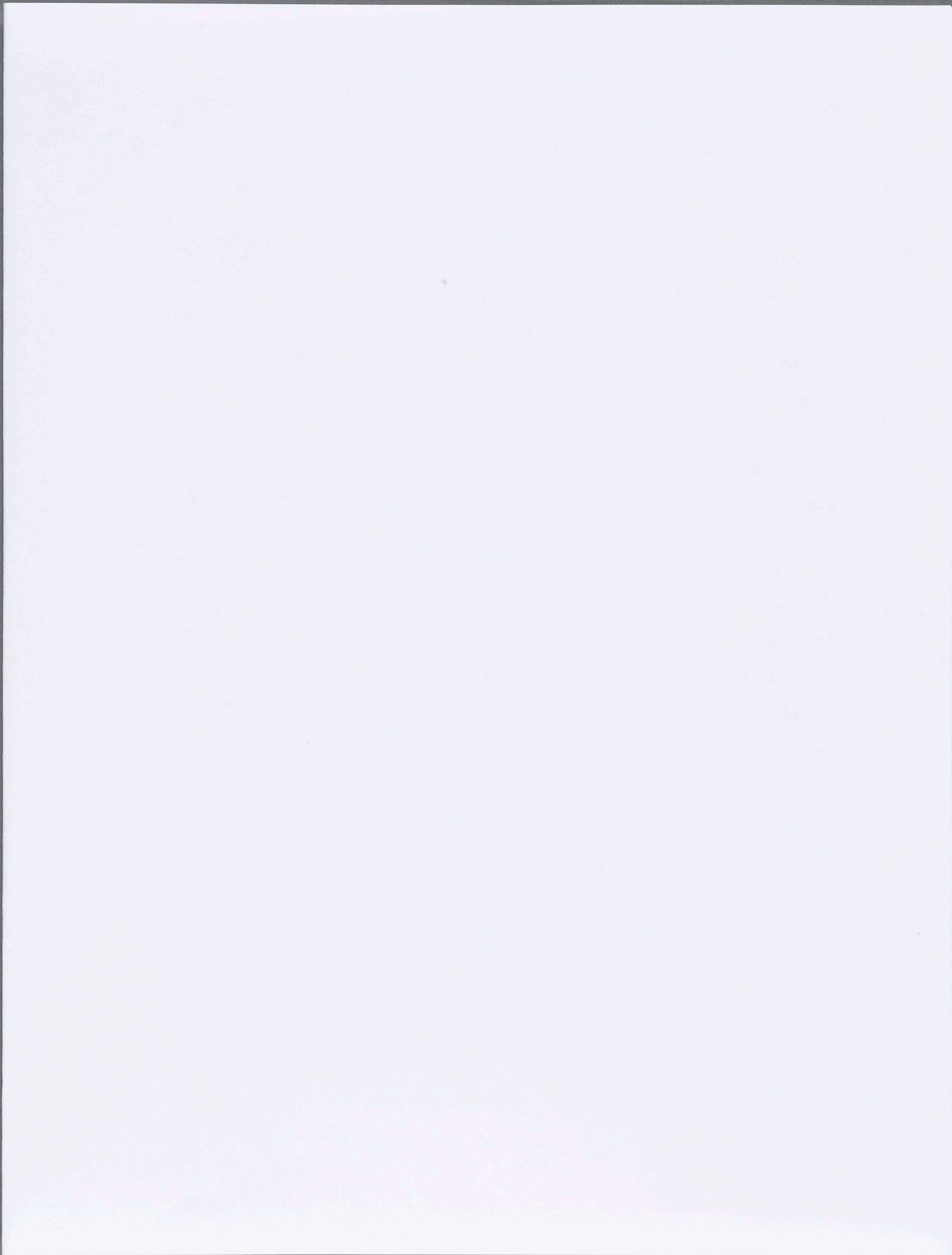
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to U.N. action or history "

(Misc. papers put together by D.H.
found in the safe in his office)



Confidential

from Sir Douglas Copland

The Case for the Special United Nations
Fund for Economic Development (SUNFED)

Disregarding the extravagant claims made by the under-developed countries, the somewhat ill-considered plans that have been put forward by Mr. Scheyven and others, and debated in Committee Two and ECOSOC over the past two years, and the assumption that all under-developed countries may be considered as equal in their needs, the case for SUNFED may be presented with considerable conviction as the most important of the major economic issues facing the free world and the Western economy. Countries that may be regarded as contributors have in many cases been loath to enter into discussions that would involve a commitment that SUNFED should be established forthwith. This has led them to be less effective in debate than might otherwise have been the case. On the other hand, the under-developeds have met this situation by over-stating their case, and seeking to place the responsibility for their difficulties on countries that might help, but do not accept the basic argument for something on the lines of SUNFED. It is important that the problem should be lifted out of this atmosphere, and the countries, that may be contributors, now have an opportunity in their replies to the Secretary-General of doing so, and of disposing of the present atmosphere of controversy and confusion.

That there is some need for a Fund to assist the under-developed countries may be conceded from any or all of the following considerations. In the aggregate they are

over-powering.

1. The Colombo Plan and the Expanded Programme of Technical Assistance have both shown what can be done by international co-operation to support plans of under-developed countries, that have accepted an obligation to promote their own economic development, and to mobilise their own resources for this purpose. When viewed in this light the emphasis is on the initiative and responsibility of the under-developed countries, not on a large sum of money into which they may dip their hands.

2. In the development of under-developed countries it will be necessary to establish a framework of public investment in transport, power and fuel, irrigation, health and education, and in some cases basic industry. The proportion of public to private investment will differ according to the policy of the country concerned, but it may be accepted, as a basic fact, that public investment will be relatively high. It is not generally realised that in Australian development, public investment is now about one-third of total investment. Without it, private investment could not function. It is in this public sector that some type of SUNFED will make a signal contribution. This requires some mobilisation at the international level of the capital required. The money markets of the world today are not capable of handling this problem, even if the whole of the capital were provided on a loan basis, as some of it ought to be. Only some international agency can perform the operation successfully, and none of the present financial agencies are ideally qualified to undertake the responsibility. The blend of gift, and loan, of low interest rate and long term repayment, that will be necessary for loans cannot fall within the competence of any of the present international agencies.

3. The emphasis that has been placed on cost to the contributors has perhaps been mistaken. In the first place, if the Fund is properly conceived with the responsibility and initiative placed upon the recipient, the total cost will be much lower than has been commonly assumed. The word "cost" here is used in the narrow sense to mean the contribution involved in gifts and in lenient terms for loans. The rest will be investment, and in the long run probably very profitable investment. In the second place, this last consideration raises questions concerning the impact on the western economy as a whole of the operation of such a Fund. It will promote an expanding world economy, possibly on a scale that has never been attained before, not even in the halcyon days of British and Western European capital investment in the

secondhalf of the nineteenth century. It will contribute towards sustaining a high level of investment in the contributing countries, to maintaining high and perhaps rising prices for the main commodities of international commerce, and to expanding the volume of international trade. When this prospect is taken into account the problem of cost takes on, in the long run, a different hue. It might well be asked whether on purely economic grounds the western economy can afford not to sponsor some form of SUNFED.

4. There is nothing inconsistent between the operations of a SUNFED and the maintenance of private enterprise and investment. On the contrary, in the special situation in which the under-developed countries are placed, SUNFED is essential to the expansion of private enterprise in the under-developed countries, and at least complimentary to its expansion in the contributing countries. Undue emphasis on what private enterprise can do for the under-developed countries is, perhaps, an American foible, but it is a false scent, and SUNFED should not be jettisoned on such short-sighted considerations.

5. On the wider diplomatic front, the leadership of the free world depends in part on the handling of its economic relations with the under-developed countries, particularly in Asia and the Middle East, where the new forces of nationalism exert such a powerful influence on the international scene. Nothing will bridge the gap between these forces and the so-called Imperialistic Powers of the West so effectively as the establishment of some new and fruitful economic nexus between the under-developed countries and those that have higher standards of living and better command of modern technique. It may be doubted whether the tendency to emphasise military grouping on the pattern of NATO has "paid off" in Asia and the Middle East, or whether in the long run on its own it will pay off. A broadly based international plan of economic aid cannot but have a profound effect on the whole international scene. Nothing could enable the West to recapture the initiative in international affairs with such effectiveness as such a plan. In this light, again, the cost cannot be considered apart from wider and more important considerations. As in UNRRA, the contribution of the United States would be predominant, but if the plan is broadly based with proportionate contributions as was UNRRA, and if it ignores differences in ideology, as again did UNRRA, it would be the Communist world that would be set back, and be forced to reconsider its position and to improvise a way out of its dilemma. The resources of

the Western economy are such that with proper co-operation among its members, the burdens of contributions could be equitably shared so as not to embarrass the balance of payments and economic development of the contributors. The plan could then be truly international in administration as regards the relations of the contributors and the recipients, and the existing specialised agencies of the United Nations could have a vastly greater scope for their activities.

These are the broad economic and political considerations that make the case for SUNFED being as much in the long term interests of the economically advanced countries as in the interests of those on the receiving end. Even for a country like Australia, involved as it is in one of the highest rates of economic expansion in the world, the long term benefits of a well-conceived and reasonably efficiently administered SUNFED would be substantial. With the growth of world population, and even a diminutive rise in living standards among the backward countries, the impact on world prices of foodstuffs and raw materials, and the expansion of world trade, could not but react favourably on the Australian economy. It would be surprising if the long term benefits did not substantially outweigh the immediate cost and strain that a contribution to SUNFED would impose. It is quite illogical, and, indeed, absurd that Australia, or even Canada, should be regarded as being under some obligation to contribute to a Fund for the benefit of such countries as the Argentine, Brazil, Venezuela, Saudi Arabia, Iran or Iraq. But if the operations of such a Fund took due account of the resources of the countries that sought to be recipients, and of the extent to which they had well considered plans for development, and were prepared to mobilise their resources, some countries would be hard put to

it to establish their right to assistance from the Fund, even in the form of a loan on easy terms, let alone in the form of a gift. These problems of the structure and administration of the Fund have to be faced anew and in a more realistic spirit. It may be assumed that if there were some prospect of having the Fund established, and conditions for becoming a recipient were laid down as a prerequisite for its establishment, the under-developed countries would not present the bold and massive front that they have done in the past two years. Moreover, there is some merit in considering the Fund on a regional basis, and commencing its operations in the area in which it is most urgently needed. There are, in the publications of the United Nations, figures to show the broad classification of under-developed countries on the ground of National income per head, population pressures, deficiencies in health and education. There is no reason why these should not be taken as a basis for discrimination among the under-developed countries. This information has become part of the folk-lore of the advocates of SUNFED, and they could hardly be surprised if it was used by those who are only anxious to help, and to give to those who need it most, and who are prepared to show readiness and capacity to help themselves! The Colombo Plan could be taken as a pilot project, but the advocates of SUNFED have chosen to ignore it, and in the case of Mr. Scheyven to be annoyed when it was mentioned. Here again, if the Colombo Plan is regarded as one of the good works the West has done, no one could object if it was used as a basis for more good works .

If these considerations have any relevance to the

problem of SUNFED and the attitude the West should adopt, it is important that they should be brought to the front in further discussion of the problem, and that the countries that may be expected to contribute, if and when SUNFED is set up, should reach the maximum agreement. In particular, due emphasis should be given to the structure of the Fund, to the responsibilities of the recipients, to the terms on which a country would be considered as qualifying as a recipient, to the international machinery required to assure that the activities of the Fund are complementary to the plans and resources of the recipients. If these problems are faced now, the Fund will take on a different complexion from the visionary and unrealistic ideas of its advocates in the past, and the responsibilities of the contributors in terms of cost will be much lower than has been commonly claimed. In all the circumstances, it is difficult to see how some such Fund can now be avoided, and the time has come to abandon the strategy of a rear-guard action, and to face more positively the real problems to be solved, and to give due weight to the wider issues involved and to the long term benefits, both economic and political, that may well accrue to the West.

Douglas Copland.

Ottawa,
November 28th, 1955.