

**A CRITIQUE OF  
THE UNITED NATIONS INTERNATIONAL DEVELOPMENT  
STRATEGY**

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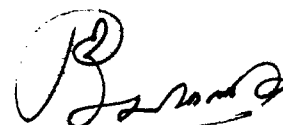
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F. E. Balakrishnan

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ABBREVIATIONS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
COMECON	Commission for Economic Cooperation Among Socialist Countries
CSOP	Commission to Study the Organization of Peace of the Carnegie Endowment
ECA	Economic Commission for Africa
ESCAP	Economic and Social Council for Asia and the Pacific (formerly ECAFE)
ECE	Economic Commission for Europe
ECLA	Economic Commission for Latin America
ECOR	Economic & Social Council, Official Records
ECOSOC	Economic & Social Council
EEC	European Economic Community
EPTA	Expanded Programme of Technical Assistance
FAO	Food and Agriculture Organization
GAOR	General Assembly, Official Records
GATT	General Agreement on Tariffs and Trade
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development (World Bank)
ICAO	International Civil Aviation Organization
ICJ	International Court of Justice
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organization

IMF	International Monetary Fund
ITU	International Telecommunication Union
OECD	Organization for Economic Cooperation and Development of Western Countries
SF	Special Fund
SUNFED	Special United Nations Fund for Economic Development
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade & Development
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

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Introduction

This study seeks to analyse the role of the United Nations in the field of economic development with special reference to its strategy for the Second Development Decade (1971-80).

The promotion of international economic and social cooperation was proclaimed to be one of the primary purposes of the United Nations. However, the motivating force behind the Charter provisions in this area was the avoidance of autarchic policies and practices found harmful by the major powers during the 1930's and the promotion of economic and social cooperation among the industrialized countries. No serious thought was given to the kind of problems of economic development that were to confront the emerging nations.

The U.N. operations incepted in the economic field, in 1948, naturally, fell far short of the requirements of the newly emerging and developing countries. They found, to their chagrin, a world economic system frustrating rather than helping their efforts of economic development. The rich countries were getting richer and the poor countries poorer. These developing countries looked to the United Nations to

not right the existing wrongs and to achieve economic and social emancipation for their peoples. The U.N., however, was not designed to face squarely this kind of demand.

As membership of the United Nations among Third World countries increased in number what followed was a perennial confrontation between the "haves" and "haves-not" in various forums of the U.N. The "haves-not" sought reorientation and qualitative change in the U.N. activities and this the industrially advanced countries adamantly resisted. As a sequel of this confrontation what resulted was a proliferation of U.N. mechanisms without bringing any meaningful qualitative change in the existing order.

In the early 1960's renewed efforts were made to convert this confrontation to a cooperation and the first United Nations Development Decade was launched as "a symbol of collective responsibility of the Organization". But these efforts were made in a perfunctory manner; no planning and no serious effort was made for a qualitative change in the existing world economic system.

The failure of the First Development Decade was widely known as early as in the mid-sixties and under the pressures of developing countries, concerted efforts were directed towards planning an International Development Strategy for the Second Development Decade.



What follows in these pages is essentially a study of the so called International Development Strategy for the Second Development Decade. What are the goals and assumptions of the Strategy and what are the chances of its success?

Such an analysis, however, would hang in the air unless a critical account is presented of the activities of the U.N. in the economic and social area that had preceded the launching of the Strategy. Accordingly, this study initially attempts to review the Charter provisions in the economic and social field (Section I) and to trace the evolution of the U.N. economic and social system and broadly identify its institutional weaknesses (Sections II and III). Section IV deals with the two United Nations Development Decades and presents a critical appraisal of the International Development Strategy for the Second Development Decade. The last Section offers some conclusions and prognosis for the future.

Charter Provisions on Economic & Social Cooperation

The furtherance of international economic and social cooperation was proclaimed to be one of the primary purposes of the United Nations under Article I(3) of the Charter. The Organization's intended role in this field was set forth in Chapter II on "International Economic and Social Cooperation" and in Chapter X setting up the Economic and Social Council (ECOSOC) as a principal organ of the United Nations.<sup>1</sup>

This emphasis on economic and social cooperation and a sharper division of the functions and responsibilities of the principal organs in the Charter were in marked contrast to the Covenant of the League of Nations. Articles XIII-XXV of the Covenant provided only a vague basis for the League's activities in the non-political area and the League system was under the central control and direction of the League Council.<sup>2</sup>

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1. Article 66 of the Charter, however, obligates ECOSOC to carry out the recommendations of the General Assembly and to perform such other functions as may be assigned to it by the General Assembly. The relationship between ECOSOC and the General Assembly are in large part ambiguous and overlapping. See Walter R. Sharp, The United Nations Economic and Social Council, (New York: Columbia University Press, 1969), pp. 4-7.

2. For a discussion on this point, see in particular Ruth D. Russell and Janet E. Ruther, A History of the United Nations Charter, (Washington: Brookings Institution, 1958), pp. 304-306.

The elevation of ECOSOC as a principal organ closely followed the recommendations of the Brundage Committee<sup>3</sup> on the reorganization of the League's activities in the economic and social area and underscored the general belief, especially in the immediate post-war era, that international peace and security was inextricably linked as much with economic and social stability as with political stability of member countries.<sup>4</sup> The primary goal of the Organization, to be sure, was the maintenance of international peace and security; all other objectives were secondary to this goal.<sup>5</sup>

The United Nations economic and social system as it emerged from the San Francisco Conference was, however, based

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3. The League of Nations, The Development of International Cooperation in Economic and Social Affairs : Report of the Special Committee, Document No.A.23, August 22, 1938, pp.18-22.

4. Ieland H. Goodrich and Edward Hambro, Charter of the United Nations : Commentary and Documents, (London : Stevens, 1949), pp.38-40. Also see : The League of Nations, Report of Economic and Financial Committee : Commercial Policy in the Post-War World, (1944), p.33. Alvin H. Hansen, America's Role in the World Economy, (London : Oxford University Press, 1945), pp.27-28.

5. Ibid. p.93.

essentially on economic intercourse between the Western industrial states and "aimed primarily at preventing activities found harmful by the major powers during the 1930's, not at promoting practices helpful to the emerging nations."<sup>6</sup> The predominant concern in the economic and social area in 1945 was the reconstruction of war-damaged Europe. There was almost no awareness that the United Nations would be called upon to get involved in the long-term "development" of the newly independent and emerging nations, nearly all of which were under some form of colonial rule in 1945.<sup>7</sup>

## II

### The Evolution of UN Economic & Social System

The evolution of the United Nations economic and social system has followed no predetermined plan or design and its entire history has been marred by a perennial confrontation between the economically advanced and the newly emergent and developing countries.

The emergence of newly independent but economically backward countries -- mostly in Asia and Africa long before the

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6. Robert L. Asher, "Economic Cooperation under United Nations Auspices," International Organization, Summer 1958, Vol.12, pp.189.

7. For a remarkably refreshing review of the concepts, hopes, and promises behind the Charter provisions on International Economic and Social Cooperation, see Susan Strange, "The United Nations and International Economic Relations" in Kenneth T. Twitchett, ed., The Evolving United Nations: A Prospect for Peace? (London: Europa Publications, 1971), pp.100-119.

ink had dried on the Charter -- was not wholly contemplated at San Francisco. Their entry into the United Nations<sup>8</sup> not only added a new dimension to the political and security problems of the Organization,<sup>9</sup> already beset by the crippling effects of the Cold War, but more importantly it challenged the basic Charter assumptions on the intended role of the Organization in the economic and social area. The economic and social problems of these newly independent countries, which soon came to be identified as the Third World, were vastly different from the problems of reconstruction of Europe or those experienced during the 1930's and required drastically different solutions. The United Nations Regular Programme of Technical Assistance<sup>10</sup> launched in early 1948 was insignificant

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8. The original membership of the United Nations consisted of 51 members. It rose to 60 in 1950; to 76 in 1955; to 93 in 1960 and further to 134 in 1974. Nearly all of the additions since 1955 were from the developing areas of Asia, Africa and Latin America.

9. See, for example, David Jay, The New Nations in the United Nations, (New York: Columbia University Press, 1970).

10. Established by General Assembly Resolution 200 (III). The Universal Postal Union (UPU), the International Telecommunication Union (ITU), the International Labour Organization (ILO), the Food & Agriculture Organization (FAO), the International Civil Aviation Organization (ICAO) and the United Nations Educational Scientific and Cultural Organization (UNESCO) had all been established by 1948 but their activities were restricted to collection and dissemination of information in their respective technical fields.

in both quantum and character as compared to the needs of the developing countries. The activities of the International Bank for Reconstruction and Development, established in 1944, to "assist in the reconstruction and development of territories of the members ... to promote private foreign investment and to promote long-ranged balanced growth of international trade and the maintenance of equilibrium in balance of payments" were still concentrated on reconstruction programmes and the lending policies of the Bank were more favourable to the European states.<sup>11</sup>

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11. IBRD was established as an international lending organisation in 1944 and was brought into relationship with the United Nations under Articles 57 and 59 of the Charter by an "Agreement between the United Nations and the International Bank for Reconstruction and Development" on November 15, 1947. Although the Articles of the Bank state that its resources and facilities should be used with equitable consideration to projects for development and projects for reconstruction alike, out of a total of \$ 754 million lent during the first three years of the Bank's operation, roughly \$ 600 million was provided for reconstruction purposes to the developed states and only about \$ 154 million to the less developed countries for development purposes. In fact, the word "development" was added to the name of the Bank as an afterthought. See Uner Kirdar, The Structure of United Nations Economic Aid to Under-developed Countries, (The Hague : Martinus Nijhoff, 1966), p. 103.

The Expanded Programme of Technical Assistance (EPTA), established in 1949,<sup>12</sup> was the first programme of a long-term nature to be undertaken by the United Nations to meet the "special" needs of developing countries. Its inception had coincided with a comprehensive Indian proposal<sup>13</sup> for the creation of a "United Nations Economic Development Administration" (UNEDA) to provide long term technical and capital assistance to the developing countries and to coordinate the activities of the Specialized Agencies. This proposal, however, did not get beyond the Sub-Commission for Economic Development since ECOSOC had begun consideration of an American-sponsored draft

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12. ECOSOC Resolution 212(IX) and approved by the General Assembly Resolution 304(IV) of November 16, 1949. The EPTA, as the title implies, was merely an expansion of the limited United Nations Regular Programme of Technical Assistance to provide the services of so-called technical experts in selected fields such as education, agriculture, etc. It was set up as a separate programme, financed with voluntary contributions from member countries (as opposed to mandatory assessment as in the case of the Regular Programme) under the direction of a Technical Assistance Board. For a critical evaluation of EPTA, see Sudhir Sen, United Nations in Economic Development : Need for a New Strategy, (New York : Oceana, 1968), Chapters 3-10.

13. Economic and Social Council, Official Records, 9th Session, (1949), Supplement No. IIB, Doc. No. E/CH.1/65.

resolution<sup>14</sup> requesting the Secretary-General to prepare a "plan for an expanded programme of technical assistance for economic development through the United Nations and its Specialized Agencies."<sup>15</sup> The report of the Secretary-General, presented to the 9th Session of ECOSOC, recommended further expansion of the existing Regular Programme of Technical Assistance activities and also included a "Plan for an Expanded Cooperative Programme through the United Nations and the Specialized Agencies" which upon adoption became the EPTA.

The extended discussions that took place in ECOSOC on the above American draft resolution and the Secretary-General's report revealed a sharp difference between the economically advanced (developed) countries of the West<sup>16</sup> and the developing countries on the intended role of the United Nations in the

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14. Later adopted as ECOSOC Resolution 180(VIII).

15. The American initiative closely followed the inauguration of its new bilateral technical assistance programme, known as the Point IV Programme by President Truman on January 20, 1949.

16. The Soviet Union at this stage regarded the EPTA and the United Nations incursions generally into the economic and social area as a cover for the expansion of Western economic and political influence. Later, after the death of Stalin, the Soviet attitude changed and she began to pay more attention to the economic development problems of the developing countries, although only a trifle of their aid was (and is still) channelled through the United Nations. See A. Z. Rubinstein, "Soviet Policy Towards Underdeveloped Countries in the ECOSOC" in International Organization, Vol. 9, pp. 222-243 for a more detailed study of the Soviet attitude towards United Nations economic and social system.



economic and social area and a marked disinclination on the part of the former to endow the Organization with large capital resources. Whereas the developing countries looked to the United Nations for large capital resources for their development, it became manifest that the developed countries considered it no more than a vehicle for channeling limited technical assistance.<sup>17</sup> This divergence in approach became more pronounced later during the protracted and frustrating discussions on the proposals for a Special United Nations Fund for Economic Development (SUNFED).<sup>18</sup>

The demand for a special economic development fund became increasingly vocal following the rejection of the Indian proposal for a United Nations Economic Development Administration and in view of the limited scope and nature of EPTA operations (technical assistance as opposed to capital assistance). At the Eleventh Session of ECOSOC and the Fifth Session of the General Assembly extensive discussions were held on the need for a special fund for grant assistance to

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17. United Nations, General Assembly, Official Records, Second Committee, 128th Meeting, 1949, pp. 48-54.

18. For a chronological study of SUNFED, see John G. Hadwen and Johan Kaufmann, How United Nations Decisions Are Made, (New York : Oceana, 1962), Chapter 5.

the developing countries, especially to finance non-self-liquidating projects in such fields as transport, power, communications, public health, etc., which did not qualify for loans from the World Bank nor could be financed by EPFA because of the limited scope of its operations and resources. A General Assembly resolution, sponsored by a number of less developed countries, called upon ECOSOC to study ways for the "extension of international machinery through which international public funds can be made available to accelerate economic development."<sup>19</sup>

The report of the Committee of Experts<sup>20</sup> set up by ECOSOC pursuant to the above General Assembly resolution contained sixteen recommendations of which the last three were the most important from the point of view of the developing countries quest for a special grant fund :

Recommendation 13 : The International Bank for Reconstruction and Development should set for itself the objective to be reached within the next five years, of lending \$ 1 billion annually to under-developed countries.

Recommendation 14 : The United Nations should establish an international development authority to assist the underdeveloped countries in preparing, coordinating and implementing their programmes of economic development; to distribute to under-developed countries grants in aid for specific purposes; to verify the proper utilization of such grants; and to study and report on the progress of development programmes.

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19. General Assembly Resolution 400(V).

20. United Nations, Measures for the Economic Development of Underdeveloped Countries, (1949), Doc. No. E/1986. Sales No. II.A.3.

Recommendation 16 : The United Nations should explore the possibility of establishing an international finance corporation to make equity investments and to lend to private undertakings operating in underdeveloped countries.

The above report of the Group of Experts was considered by ECOSOC at its thirteenth session and gave rise to considerable discussion. While the developing countries fully supported the recommendations of the experts, all the major industrial powers were opposed to them. Nevertheless, a compromise resolution subsequently adopted by ECOSOC noted that "the capital exporting countries were not in a position to make any contribution to any agency along the lines of recommendation No.14 of the report of the group of experts", and also requested the Secretary-General to formulate methods which he deemed practical for dealing with the problems of grant assistance.<sup>21</sup> The Resolution also asked the IBRD to consider and to report to the Council what contribution such a body as an international finance corporation on the lines of Recommendation No. 16 could make to the general scheme for accelerating development in the Third World.<sup>22</sup>

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21. ECOSOC Resolution 368 (XIII)

22. The General Assembly also approved another Resolution No.520 (VI) in which it gave much stronger support to the idea of establishing a special fund for grants-in-aid. By it, the Assembly also requested ECOSOC to present to it at its Seventh Session a detailed plan for establishing "as soon as circumstances permitted a special fund for grants-in-aid and for low-interest-long-term loans to underdeveloped countries.

At the fourteenth session, ECOSOC had before it the two reports which it had requested : the report of the Bank on the question of creating an international finance corporation<sup>23</sup> and a plan by the Secretary-General for a "Special Fund."<sup>24</sup>

The Bank in its report had pointed out that the existing agencies "do not, in the aggregate, adequately meet the needs for stimulating private international investment" and that with the establishment of such a corporation an important gap in the financing of economic development would be filled. It suggested that the Corporation in its lending operations should not require governmental guarantees, as did the Bank; that it should be financed by its member Governments; and that it should operate as an affiliate of the Bank, so as to be able to approach individual private investors to interest them in various risks. While \$400 million was indicated as a desirable capital outlay for the Corporation, it was noted that \$125 million was sufficient to enable an effective start to be made in its operations.

The Secretary-General's report dealt with the different aspects of the establishment of a Special Fund for Grants-in-

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23. Doc. E/2215

24. Doc. E/2234

Aid, such as its size (\$200-300 million),<sup>25</sup> the manner of collecting the contributions, its operation and disbursements, etc. Both in the meetings of the Council (fourteenth session) and of the Assembly (seventh session), the representatives of major industrialised countries indicated that their Governments would not be able to contribute to any such agencies and that the subscriptions to such a Corporation or Fund, if established, might well reduce the contribution to EPTA and other existing Specialised Agencies. In any case, the major industrial powers felt that further studies were required on the proposed Corporation and Fund and accordingly a committee (the Committee of Nine as it came to be known) was set up by ECOSOC to prepare a more detailed plan for a Special Fund. The IERD was also requested to continue and extend its study of the Corporation.<sup>26</sup>

Detailed plans for a "Special United Nations Fund for Economic Development" (SUNFED)<sup>27</sup> and an International Finance

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25. It should be interesting to note, in comparison, that the annual disbursements by the United States Government under its European Recovery Programme (Marshall Plan) was of the order of \$4,500 million.

26. ECOSOC Resolutions 416C(XIV), 416A(XIV) and General Assembly Resolution 622(VII).

27. United Nations, Report on a United Nations Fund for Economic Development, Document No. E/2581, Sales No. II.B.I. 1953.

Corporation<sup>28</sup> were submitted by the Committee of Mine and IIRD, respectively, to the Sixteenth Session of ECOSOC. Although these more detailed and elaborate plans were prepared at the request of the industrial powers, they continued to oppose them, and a new barrier was introduced by the United States representative that the creation of the Special Fund and the Corporation would be dependent upon internationally supervised disarmament.<sup>29</sup> This was a tactical move on the part of the U.S. to delay, if not block, the establishment of the Fund and the Corporation. However, at the end of the Nineth Session of the General Assembly on November 11, 1954, the United States representative made an unexpected announcement that the United States Administration would seek Congressional approval for the U.S. participation in the proposed Corporation, provided, however, that it was established "as an affiliate" of the International Bank for Reconstruction and Development and to the "limitation of its membership to the members of the Bank."<sup>30</sup> Following this announcement, a resolution<sup>31</sup> was adopted expressing the appreciation of the General Assembly for the support of the United States and

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28. Doc. E/2393

29. Doc. E/L.536

30. Doc. E/L.1328

31. General Assembly Resolution No.823 (IX)

other countries for the establishment of the Corporation and requesting the Bank to prepare the necessary statutes for the Corporation.<sup>32</sup>

The establishment of the IFC, however, did not meet the needs for a special fund for economic development since, according to Article I of its Agreement, the purpose of the Corporation was "to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas" and for this purpose "to invest in productive private enterprises in association with private investors without government guarantees of repayment" and "to help stimulate the productive investments of both domestic and foreign capital."<sup>33</sup> The purpose of the SUFED, on the other hand, was to finance "basic economic and social infrastructure facilities such as roads, schools, communications,

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32. The statutes, however, were never submitted to the General Assembly or ECOSOC and the Report of Bank merely informed the General Assembly that the Executive Directors of the Bank had approved the Articles of Agreement of the IFC in April 1955 and submitted to member governments of the Bank for signatures. By submitting the Articles of Agreement directly to its own members, the Bank made it impossible for ECOSOC or the Assembly to review them or make alterations. In the situation, the General Assembly contented itself solely with expressing its appreciation of the actions taken by the Bank. For a more detailed study of IFC and the reasons which impelled the United States to establish the IFC as an affiliate of the Bank away from the control and direction of the United Nations, see E. H. Matecki, "Establishment of the International Finance Corporation: A Case Study," International Organization, Vol. 10, pp. 261-275.

33. International Bank for Reconstruction and Development, Text of the Agreement of IFC and the Explanatory Memorandum, (1955) Washington, D.C. (emphasis added).

transport, public health, housing etc.,"<sup>34</sup> which by definition would not interest private enterprisers.

At the tenth session (1955) of the General Assembly, the developing countries maintained<sup>35</sup> that the drafting of the "statutes for the SUFED should no longer be delayed in view of the recommendations of the Committee of Nine"<sup>36</sup> which had highlighted the urgent need for such a fund and in view of the rather special objectives of IFC. The developed countries, led by the United States, opposed the move on the ground that if the Fund were to be established forthwith, it would be small and ineffective and that the establishment of a large fund on the scale proposed by the Committee of Nine should await international agreement on reduction of military expenditures and armaments.<sup>37</sup> A compromise resolution<sup>38</sup> was adopted asking the member governments to give their view points once again on the establishment, role and operations of SUFED and forming an Ad Hoc Committee to examine the replies of governments and to

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34. Doc. E/2381, p.1.

35. See joint statement by 19 Governments, Doc. No.E/L.1873

36. United Nations, n.27.

37. Statement of the Representative of the United States, General Assembly, Official Records, Tenth Session (1955), pp. 182-184.

38. General Assembly Resolution 923(X)



report to the next session of ECONOC.

When the report<sup>39</sup> of the Ad Hoc Committee, which included the comments of 57 Governments, came before the twenty-second session of the Council, there was increased pressure to draft the statutes of the Fund and bitter criticism of the "delaying tactics" of the developed countries. It was maintained that the establishment of SUMED should not be deferred pending agreement on internationally supervised disarmament as argued by the United States representative.<sup>40</sup> A compromise resolution<sup>41</sup> was passed, once again, by ECONOC which requested the General Assembly to "consider (what) further steps (were) necessary for the early establishment of SUMED."

Discussions during the Eleventh Session (1956) of the General Assembly followed the same pattern, with the United States, United Kingdom and Canada opposing the Fund more strongly than ever before. A resolution<sup>42</sup> passed by the General Assembly asked the Ad Hoc Committee to submit a fresh

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39. United Nations, Report of the Ad Hoc Committee on the Question of Establishment of a Special United Nations Fund for Economic Development, Doc. A.5134 & Corr.1,2.

40. See, for example, the statement of the Representative of Yugoslavia : Economic and Social Council, Official Records, Twenty Second Session, p. 209.

41. ECONOC Resolution 512 (XXII)

42. General Assembly Res. 1030 (XI)

report on the different legal frameworks within which the SUNFED might be established and statutes drafted and to include types of projects which might be provided for in the programme of operations of the Fund. The final report<sup>43</sup> of the Ad Hoc Committee, which did not show any deviation from its previous approach, was considered by the 24th Session of ECOLOG but no decision was again taken.

At the beginning of the 12th Session (1957) of the General Assembly, the Representative of the United States announced his Government's willingness to support a smaller "Special Projects Fund" as a further expansion of the EPTA which would enlarge the resources of the latter from \$30 million to \$100 million annually.<sup>44</sup> A draft resolution<sup>45</sup> was presented by the American Representative to the Second Committee calling for the establishment of such a Special Projects Fund which would not finance economic and social infrastructure expenditures, but would provide "systematic and sustained technical assistance in fields essential to the integrated development of these countries."

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43. United Nations, Supplementary Report of the Ad Hoc Committee on the Question of Establishment of a Special United Nations Fund for Economic Development. Doc. E/2898

44. General Assembly, Official Records, Second Committee, 112th Meeting, p. 182.

45. Doc. A/C.2/L.354

Another draft resolution<sup>46</sup> was introduced jointly by a number of developing countries calling for the establishment of SUNFED as originally proposed by the Committee of Nine. At the end of the acrimonious debate<sup>47</sup> on the two resolutions, it became rather clear that the United States and other major donors would neither participate in the Preparatory Committee as envisaged in the Committee's Report to draft the statutes of the SUNFED nor contribute any funds if the SUNFED resolution was adopted. The Second Committee finally adopted the American draft resolution relating to the smaller fund (Special Projects Fund) which was later approved unanimously by the General Assembly<sup>48</sup> and a Preparatory Committee was set up to draft the statutes of the Fund. The third part of the Assembly Resolution, which approved the American proposal for the smaller fund, however, also expressed the hope that the member Governments would consider the establishment of SUNFED at an appropriate time.

The Preparatory Committee established to draft the detailed regulations governing the Special Projects Fund submitted

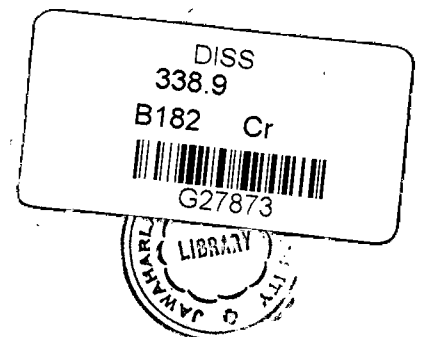
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46. Doc. No. A/C.2/L.331

47. See General Assembly, Official Records, Twelfth Session, Second Committee, 492-504th Meeting, pp. 191-235.

48. General Assembly Resolution 1219 (XII)

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its report<sup>49</sup> to the 26th Session of ECOSOC and subsequently to the 13th Session of the General Assembly in 1958 and was adopted unanimously on October 14, 1958 by General Assembly Resolution 1240 (XIII) which formally established the "Special Fund" (SF) to commence operations as of January 1, 1959. The Assembly also adopted another Resolution 1317 (XIII) which urged the member Governments "to continue working for the establishment of a Capital Development Fund."

The continued pressure for establishing SUMED or UNCDF (United Nations Capital Development Fund) as it came to be called after the establishment of the Special Fund, however, produced yet another indirect result. The United States Senate passed a Resolution<sup>50</sup> in late 1958, on the basis of a proposal submitted by Senator Monroney, expressing the desirability of "promoting a greater amount of international development by means of multi-lateral loans" and proposed the establishment of an "International Development Association" (IDA) as an affiliate of IBRD. A formal U.S. proposal for the creation of such an Association was considered by the Bank at its Annual Meeting in 1959 and it

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49. Doc. E/3098

50. U.S. Senate Resolution 264. For details of the Monroney proposal and the background to it, see Hearings Before the Committee on Banking and Currency, U.S. Senate Eighty-Fifth Congress, Second Session on S. Resolution 264, (U.S. Government Printing Office, Washington, D.C., 1958), pp. 138-189.

was decided in principle to establish the IDA, as proposed by the U.S., to provide capital to developing countries on terms easier than those provided by the IFC or the Bank itself. Subsequently, the Fourteenth General Assembly was formally informed of this decision to establish the IDA by the President of the Bank.<sup>51</sup>

The attitudes of member Governments in the Second Committee of the Assembly towards the establishment of IDA were diverse. Although the decision of the Bank was generally welcomed by all, most of the members from the developing countries expressed serious doubts as to whether the IDA would be a substitute for the proposed UNCTAD.<sup>52</sup> The General Assembly, however, passed a resolution,<sup>53</sup> on the recommendation of the Second Committee, which complimented the Board of Governors of the Bank and expressed the belief that the new agency would provide developing countries with "types of financing which had not hitherto been available." The Assembly also adopted another Resolution<sup>54</sup> requesting the Secretary-General "to examine in consultation with the Governments of member states

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51. It should be noted that just as in the case of IFC, neither the General Assembly nor ECOSOC was consulted or given a chance to review the statutes of IDA. In fact, the General Assembly was simply presented with a fait accompli. The decision to set up IDA also as an affiliate of the Bank was a determined move by the United States to bring the new organization also under its control by the strength of its voting power in the Bank.

52. General Assembly, Official Records, Second Committee, 101st to 104th Meeting, pp. 184-193.

53. General Assembly Resolution 1420 (XIV)

54. General Assembly Resolution 1424 (XIV)

ways and means of making further progress towards the early establishment of a Capital Development Fund," and he was requested to report to ECOSOC and to the Assembly at its Fifteenth Session.

The replies<sup>55</sup> from member Governments to the Secretary-General's inquiry showed that practically no change had occurred in the views of either the developed countries or the developing countries in their respective positions on UNCDF; while the latter still favoured the early establishment of the Fund, the former referred to the existing machinery for multilateral assistance, including the newly established IDA, and expressed their inability to contribute to the UNCDF, even if established by the Assembly.<sup>56</sup>

The persistent unwillingness of the major industrial powers to support the establishment of UNCDF, which, during the whole debate on the subject, was thought of more as a charit-

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55. See Doc. E/3293/AGS.1-3.

56. Despite the opposition of the major donors, however, the Fifteenth Session of the General Assembly, the following year, passed a resolution which decided in principle to establish a United Nations Capital Development Fund. The refusal of the major donors, however, made it impossible for UNCDF to commence its operations and the management of the Fund was entrusted, as an interim arrangement, to the Administrator of the United Nations Development Programme. It would be interesting to note that the contributions through 1973 totalled a little over \$2 million in various assortment of currencies of which only about \$1.3 million had been paid. The responsibility for the administration of the Fund continues to reside in the UNDP Administrator.

able enterprise than a legitimate action under the Charter, however, helped revive the question of trade and industrial development problems in the developing countries, and paved the way for the ultimate establishment of two separate organizations, the United Nations Conference on Trade & Development<sup>57</sup> (UNCTAD) in 1964 and the United Nations Industrial Development Organization<sup>58</sup> (UNIDO) in 1967.<sup>59</sup>

As it became increasingly apparent that the major industrial powers would not support or contribute to UNCTAD, the developing countries began to concentrate their efforts, as part of their overall strategy, in demanding an institutional machinery for solving their aggravating trade and developing problems and for promoting equitable trade relations between themselves and the industrialized countries. A major portion of the debate in ECOSOC and the Second Committee in 1961 was devoted to these problems, and the demand for an international trade conference was made by a group of developing countries almost immediately after it became known that practically no

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57. General Assembly Resolution 1995 (XIX) of December 30, 1964.

58. General Assembly Resolution 2152 (XXI) of November 17, 1966.

59. The demand for these organizations was made to fill the institutional vacuum created by the failure of the United States to ratify the Havana Charter of the International Trade Organization (ITO), and the failure of the General Agreement on Tariffs and Trade (GATT) which had assumed the functions intended for the ill-fated ITO, to pay adequate attention to the trade and development problems of the developing countries. See Sidney Wells, "The Developing Countries, GATT and UNCTAD," International Affairs, (London), 1969, No. 45, pp. 78-79.

change had taken place in the attitude of the industrialized countries towards UNCDF. A resolution<sup>60</sup> adopted by the General Assembly on the recommendation of the Second Committee called upon the Secretary-General to survey the opinion of the member governments on the desirability of holding an international trade conference under United Nations auspices. The Secretary-General's survey showed that a substantial majority of members was in favour of such a Conference and a resolution<sup>61</sup> was adopted by ECOSOC calling for a United Nations Conference on Trade and Development. The Conference held at Geneva in 1964 recommended<sup>62</sup> the establishment of a permanent machinery which was approved by the General Assembly by its Resolution 1995 (XIX) of December 30, 1964, giving permanent status to UNCTAD, as an "organ" of the Assembly.<sup>63</sup>

The establishment of UNIDO followed largely the recommendations of the first UNCTAD for a separate organization to promote industrial development and diversification of

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60. General Assembly Resolution 1707 (XVI)

61. ECOSOC Resolution 917 (XXXIV)

62. United Nations, Final Act of the United Nations Conference on Trade & Development, Doc. E/CONF.46/139.

63. Art. 22 of the Charter confers upon the General Assembly the right to establish subsidiary organs, but the establishment of UNCTAD and UNIDO later as special "organs" of the Assembly reflected the disenchantment of the developing countries with ECOSOC. See Geoffrey Goodwin, "United Nations Conference on Trade & Development" in Yearbook of World Affairs, (London, 1965), pp. 189-203.



the export base of the developing countries in the face of consistent decline in the price of primary products and a rapidly deteriorating terms of trade and exchange gap.

The purpose of UNIDO, as laid down in the General Assembly Resolution 2152 (XXI) was "to promote industrial development and assist in accelerating industrialization in the developing countries, with particular emphasis on the manufacturing sector," an area which had been largely neglected by the United Nations and the existing specialized agencies.

A review of the evolution of the United Nations economic and social system will not be complete without reference to the merger of UNCTAD and the Special Fund to form a new agency, the United Nations Development Programme (UNDP) in 1966. The General Assembly resolution<sup>64</sup> which approved the merger on the recommendations of ECOSOC<sup>65</sup> and the Second Committee,<sup>66</sup> however, required that the "special characteristics and operations of the two programmes, as well as two separate funds, shall be maintained and that, as hitherto, contributions may be pledged to the two programmes separately."<sup>67</sup> As a result, and despite

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64. General Assembly Resolution 2029 (XX)

65. ECOSOC Resolution 1029 (XXIV)

66. Doc. A/6111

67. For a critical appraisal of the merger and the problems of UNDP, see Sudhir Sen, op. cit., Parts II and III.

the so-called merger, contributions to EPTA and the Special Fund were made separately and the activities financed by the respective funds were administered separately by UNDP until 1970 when, on the basis of the consensus<sup>68</sup> adopted by the General Assembly following the recommendations of the Jackson Report,<sup>69</sup> the two programmes were fully merged to form a unified UNDP.

### III

#### Structural and Institutional Problems

Tedious as the foregoing review of the evolution of the United Nations economic and social system has been, it serves to highlight the "confrontation" between the developed and the developing countries in the area of economic and social cooperation, and the manifestly haphazard nature of the evolution of the system. Lacking both Charter mandate and a consensus on the role of the Organisation, as illustrated in the preceding pages, the United Nations machinery for promoting development in the Third World has evolved without a blue print or master

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68. Resolution 2530 (XXV)

69. United Nations, A Study of the Capacity of the United Nations Development System, (United Nations : Geneva, 1969) Sales No. E.70.1.10 Vol. I & II. The final report of the study is more popularly known as the "Jackson Report" after its illustrious author and is referred to as such in the following sections.

plan. Each of the "agencies has been created on an ad hoc basis to handle a specific problem or set of problems and placed under an independent governing board largely free from central control and direction."<sup>70</sup>

The Covenant of the League of Nations stipulated that all international bureaus established before the League should be placed under the direction of the League, if the parties to such treaties consented, and that all subsequently established international bureaus should also be placed under the direction of the League.<sup>71</sup> The United Nations Charter, while more explicit on economic and social cooperation, is, however, far less ambitious in central coordination and direction of the economic and social activities and, in fact, concedes the multiplicity of international organizations. In contrast to the declaration in the Covenant that the international bureaus "shall be placed under the direction of the League," the United Nations Charter only envisages that "the various specialized agencies established by international agreements and having wide international responsibilities as defined in their basic instruments in economic, social, cultural, education, health and related fields,

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70. Jackson Report, op. cit. Vol. II, p.9

71. Article 24 of the Covenant of the League of Nations

shall be brought into relationship with the United Nations in accordance with Article 63."<sup>72</sup> The latter article, in turn, provides that "The Economic & Social Council may enter into agreements with any of the agencies referred to in Article 57, defining the terms on which the agency concerned shall be brought into relationship with the United Nations, subject to the approval of the General Assembly," (emphasis added) and that ECOSOC "may coordinate the activities of the Specialized Agencies through consultation with and recommendation to such agencies and through recommendation to the General Assembly and to the members of the United Nations."

Thus, although central control and direction of all economic and social activities of the Specialized Agencies was not envisaged in the Charter, the need to coordinate the diverse activities of the Specialized Agencies was recognized and provided for through the machinery of ECOSOC. In practice, however, even the coordinating function was only loosely conceived<sup>73</sup> since the Agreements between the United Nations and the Specialized Agencies differ greatly in their nature and scope of coordination by ECOSOC and assure complete autonomy to the

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72. Article 57 of the Charter (emphasis added).

73. For a further discussion on this point, see Hambro, *et. al. op. cit.* pp. 324-325.

Specialized Agencies. Thus, for example, while the agreements between the United Nations and ILO, FAO, UNESCO, ICAO and WHO recognize the "desirability of establishing close budgetary and financial relationships with the United Nations,"<sup>74</sup> and they agreed to consult with the United Nations in the preparation of their budgets and to transmit the proposed budgets to the United Nations annually for examination by the General Assembly and possible recommendations, the Agreements with UNEP and IEU only state that the "annual budget of (the Agency) shall be transmitted to the United Nations and the General Assembly may make recommendations thereon." At the other extreme, the Agreements between the United Nations and IAEA/IAEA only require that the agencies shall furnish to the United Nations copies of their annual reports and quarterly financial statements and state categorically that "the appropriate authorities of (the Agency) will enjoy full autonomy in deciding the form and content of such budget." Therefore, in practice they are recognized as completely independent organizations.<sup>75</sup>

This vertical proliferation of "functionally decentralized and autonomous organizations with a clear division of

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74. See Agreements Between the United Nations and the Specialized Agencies and the International Atomic Energy Agency, (United Nations: New York), Sales No. 61.2.1.

75. See Article IV of the Agreement between the Bank and the United Nations.

responsibility in their respective areas of specialization" has had a profound and significant impact on the United Nations economic and social system: it has left the Organization without a "headpiece" or a central coordinating mechanism and with widely diffused and fragmented programmes in the recipient countries.

Governments have created this machine - which over the years has grown into what is probably the most complex organization in the world. What is it exactly? Briefly, it is built up of the administrative structures of the United Nations and its component parts, such as UNDP, UNICEF, UNIDO and UNCTAD, etc., and of about a dozen Specialized Agencies. In theory, it is under the control of about thirty separate governing bodies; in the past much work in dealing with administrative problems has been self-defeating. At the headquarters level, there is no real "headpiece" - no central coordinating organization - which could exercise effective control. Below headquarters the administrative tentacles thrust downwards into an extraordinary complex of regional and sub-regional offices, and finally extend into field offices in over ninety developing countries. This "Machine" now has a marked identity of its own and its power is so great that the question must be asked "Who controls this 'machine'?" So far the evidence suggests that Governments do not, and also that the machine is incapable of intelligently controlling itself. This is not because it lacks intelligent and capable officials but because it is so organized that managerial direction is impossible. In other words, the machine as a whole has become unmanageable in the strictest sense of the word. As a result it is becoming slower, and unwieldy, like some prehistoric monster."<sup>76</sup>

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76. Jackson Report, op. cit. Vol.I, p.111.

The Charter responsibility for central coordination of the economic and social activities of the Organization was invested in ECOSOC.<sup>77</sup> Originally, intended as a "separate, technically competent, but political level body to deal with economic affairs,"<sup>77</sup> and elevated at San Francisco to a 'principal organ' of the United Nations, ECOSOC, according to Professor Walter Sharp, had a triple raison d'être. It was charged with interagency and interunit coordination, with shaping and controlling the various programmes under the aegis of the United Nations, and with providing a general forum for discussing world economic and social issues.<sup>78</sup> With respect to these functions, however, ECOSOC has been beset by both internal and external problems which have impinged on its Charter responsibilities to the point where "it retains today little more than the tattered mantle of a 'principal organ.'"<sup>79</sup>

Internally, ECOSOC has been moribund by the heavy weight of its own subsidiary commission, sub-commissions, committees, and ad hoc bodies which have witnessed a parallel proliferation

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77. Ruth Russell, et. al. op. cit. p. 313

78. Walter Sharp, op. cit. p. 8.

79. Gunnar Myrdal, Beyond the Welfare State (New Haven: Yale University Press, 1960), p. 271.

along with the Specialized Agencies.<sup>80</sup> This has compounded the problems of internal and inter-agency coordination, ECOSOC's failure to give coherence and purpose to the United Nations economic and social system is reflected in the increasing ascendancy of the Second (Economic) and Third (Social) Committees of the General Assembly in economic and social matters with the unfortunate result that the discussions of these issues are given a political colour. In its relationships with the Specialized Agencies, despite the existence of top-heavy Committees such as the Administrative Committee on Coordination (ACC)<sup>81</sup> and the Advisory Committee on Administrative and Budgetary Questions (ACABQ), "ECOSOC's efforts to bring a semblance of coordination among the agencies have to a large extent foundered on the determination of these agencies to guard their autonomous status as zealously as any sovereign state."<sup>82</sup>

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80. See Sharp, op. cit., pp. 24-25 for a comparison and summary of ECOSOC's subsidiary bodies in 1947 and 1967.

81. The Administrative Committee on Coordination (ACC) is composed of the Executive Heads of the Specialized Agencies and the Secretary-General (Chairman), and is often called the "administrative quasi-cabinet" in United Nations Secretariat. For a detailed study of ACC and its numerous sub-Committees, see Martin Hill, "The Administrative Committee on Coordination," in E. Luard, Evolution of International Organization, (New York : Oceana, 1960).

82. Robert W. Gregg, "UN Economic, Social, and Technical Activities," in James Barrow, ed., The United Nations : Past, Present, and Future (New York : Free Press, 1972), p. 242.



Externally, UNESCO has suffered so acutely from the steady trend towards more limited regional arrangements outside the United Nations, such as the EEC, OECU, COMECON, etc. that it has been completely bypassed as a general forum for discussing world economic and social issues (e.g. the monetary crisis).<sup>83</sup>

The lack of central coordination of United Nations economic and social programs has manifested itself in "widely scattered, frequently unfocused and only minimally coordinated effort in the field" which are not often related to the overall development objectives of the recipient countries,

There is a certain amount of diffusion and fragmentation of activities which are not sufficiently related to overall development objectives and which do not contribute in any substantial way to integrated development. The most general criticism that has been made of United Nations development assistance is that there is a multiplicity of agencies granting technical assistance, a large number of individual projects, frequently implemented in isolation and with insufficient relation to national goals and priorities and that in general there are many gaps in coordination between different programmes and projects... The problems of fragmentation remain perhaps the most serious problem to be resolved with respect to operational programmes.<sup>84</sup>

This diffusion and fragmentation of the United Nations economic and social activities are the inevitable consequences

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83. For a discussion on this point, see Susan Strange, op. cit. pp. 119-14.

84. United Nations, Technical Cooperation Activities of the United Nations : Report of the Secretary-General, Doc. E/31.5/412.

of the unstructured growth of the system, and has often led to competition, inefficiency and even inter-agency rivalry and "agency salesmanship."

The selection and allocation of projects coupled with the fullest assessment of a given country's ability to absorb it are the key issues to the whole question of development aid and must be resolved before we can even think of carrying out a greatly expanded program, but what exists today is "inter-agency rivalry for projects," each agency insisting, almost as a matter of right to get a slice of the country pie, regardless of the value and propriety of the project from the country's point of view at its particular stage of development.<sup>85</sup>

The irony of these indictments is that they are increasingly providing an alibi to the developed countries for not channeling additional resources through the United Nations economic and social system, even though they themselves were the principal architects of that system. The excessive preoccupation with organizational and structural problems has led to a disproportionate amount of time and resources of the whole system to be devoted to such problems rather than the pressing problems of development in the Third World.<sup>86</sup>

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85. Jackson, op. cit. p. 76

86. The obsession with coordination has also serious implications for the performance of the system. It overstrains its limited resources and reduces its learning capacity. According to Karl Deutsch, "the learning capacity" of a system is related to the amount and kind of its uncommitted resources." Karl Deutsch, The Nerves of Government : Models of Political Communication and Control, (New York : Free Press, 1966) p. 115.

The Jackson Report is a glorious testimonial to this misplaced emphasis. While concentrating on the "capacity" of the system, this voluminous report has totally ignored the key questions of fundamental importance to the developing countries such as the promotion of more equitable trade relations, transfer of technology, etc., despite the fact that the success of the United Nations in the economic and social area will be entirely dependent on its ability to tackle these problems. In its simple form, the Jackson Report made a case that in its present structure and form, the United Nations has reached a peak of its capacity and that no further fruitful programming can be undertaken without first reorganizing the whole structure. At the same time, the entire report is silent on the need for a Capital Development Fund and the role of UNCTAD, UNIDO, etc. which are of crucial importance in accelerating the pace of development in the Third World countries. The main purpose of the Jackson Report was to deliberately sidetrack these basic issues by highlighting the weaknesses of the system.<sup>87</sup>

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87. For a cogent criticism of some of the other aspects of the Jackson Report, see Mahdi Elmandjra, The United Nations System: An Analysis, (London: Faber and Faber, 1973), Chapters 3 and 4.

The Development Decades and the International Development Strategy

The major thrust of the preceding sections has been to review the historical evolution of the United Nations economic and social system and to critically examine its weaknesses. In the absence of explicit Charter mandate, the United Nations economic and social system has grown at random with all the attendant structural and institutional problems and without a clear-cut policy or over all strategy for promoting development in the Third World countries. While the persistent refusal of the economically advanced countries to support the establishment of a UNCTAD and the failure of the Organization to make any impact on the pressing developmental problems led to considerable disappointment among the developing countries, the dedication of the 1960's as the (First) United Nations Development Decade helped produce a new optimism in the Organization and generally raised the hopes of the peoples of these countries.<sup>88</sup>

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88. The call to designate the 1960's as a United Nations Development Decade was originally made by President Kennedy in his address to the Sixteenth General Assembly on September 24, 1961. In that address he proclaimed that the intention of the United States was to challenge the Soviet Union not to an arms race, but to a peace race and proposed to "designate the decade of the 1960's as the United Nations Development Decade" and "to expand and to coordinate the United Nations existing efforts in promoting economic development". He added also that "development could become a cooperative, not a competitive enterprise to enable all nations to become, in fact as well as law, both free and equal states". See New York Times, September 25, 1961.

The designation of the 1960's as the First United Nations Development Decade was heralded as "the first concerted move"<sup>89</sup> and a "symbol of the collective responsibility of the international community for the development of the Third World."<sup>90</sup> The General Assembly resolutions<sup>91</sup> on the subject called for a "minimum annual rate of growth of aggregate national income of 5 per cent in the developing countries" and "a substantial increase in the transfer of resources to those countries so that it might reach as soon as possible approximately 1 per cent of the combined income of the economically advanced countries."

The pronouncement of the First Development Decade was not, however, accompanied by the creation of any machinery to promote it or any definite commitments to undertake the steps necessary to achieve the goals and the optimism which marked the launching of the Decade was turned into dismay -- even disillusionment -- as the decade failed to achieve its highly modest

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89. U. Thant quoted in W. Kotschnig, "The United Nations as an Instrument of Economic and Social Development," International Organization, Vol. XXII (Winter 1968), p. 23.

90. Philip de Beynes, Assistant Secretary-General, in his address to the Second Committee on November 24, 1964.

91. General Assembly Resolutions 1710 (XVI) and 1711 (XVI) of December 19, 1961. For details of the First Development Decade proposals, see : United Nations Development Decade - Proposals for Action (United Nations : New York, 1961), Sales No. 762.II.B2.

goals and targets set in the concerned General Assembly resolutions.<sup>92</sup>

While the annual rate of growth of aggregate national income in the developing countries as a whole did reach the five per cent target set for the Decade, there was considerable difference in the growth rate between different regions and countries. As a result, while the rate of growth in a few countries like Greece, Iran, South Korea, Thailand, etc. was substantially higher than the average growth rate owing to specially favourable circumstances which had nothing to do with the Action Proposals for the Decade, the rate of growth of the majority of the developing countries was well below the five per cent target set for the Decade.<sup>93</sup>

It is in the areas of transfer of resources and international trade, however, that the Decade produced even bigger-

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92. The goal of 5 per cent of growth set for the First Development Decade was admittedly modest as compared to the 4.5 per cent achieved by the developing countries as a whole during the previous decade. For an objective analysis of the achievements and lessons of the First Development Decade, see in particular, Colin Legum, ed., The First U.N. Development Decade and Its Lessons for the 1970's, (New York : Praeger, 1970).

93. For a discussion of this point and the trends in the growth rates of the developing countries, see Review of International Trade and Development by the UNCTAD Secretariat, Doc. TD/101/Supp.1

disappointments. Whereas the General Assembly resolutions called for a substantial increase in the resources and set a target of one per cent of the aggregate national income of the developed countries, the Decade actually witnessed a decline in the flow of resources as a percentage of the national income of the economically advanced countries from approximately 0.80 per cent in 1960 to 0.74 per cent in 1970.<sup>94</sup> In fact, only four of the smaller powers of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) — Australia, Belgium, Netherlands and Portugal — had met the target of 1 per cent, but their combined contribution was less than 8 per cent of the total flows to the developing countries in 1970.<sup>95</sup>

In the international trade area, it was hoped that during the 1960's, the share of the developing countries would show a marked increase. Indeed, exports from these countries increased at a rate of about 7.2 per cent per annum<sup>96</sup> during the Decade as a whole. However, the exports of the advanced countries (particularly Japan and members of the DAC) rose even more

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94. Organization for Economic Cooperation and Development, Development Corporation: 1971 Review, (Paris, 1971), p. 45

95. ibid.

96. United Nations, Review of International Trade and Development, Doc. TD/101/Supp.1. p. 14

faster so that the share of the developing countries actually declined from 22 per cent in 1960 to 19 per cent in 1970.<sup>97</sup>

The failure of the decade to achieve the modest targets set in the General Assembly resolutions or to make any dent on the widening gap between the developed and the developing countries has been aptly summarized by Robert McNamara, President of the World Bank, in his address to the Columbia Conference on International Economic Development :

In the developing world, at the end of the (first) decade (of development) malnutrition is common. The FAO (Food and Agriculture Organization) estimates that at least a third to a half of the world's people suffer from hunger or nutritional deprivation. The average person in a high standard area consumes four pounds of food a day as compared with an average pound and a quarter in a low standard area...

Illiteracy is widespread. There are 100 million more illiterate today than there were 10 years ago, bringing the total number to some 800 million.

Unemployment is endemic and growing. The equivalent of approximately 20% of the entire male labour force is unemployed, and in many areas the urban population is growing twice as fast as the number of urban jobs.

The distribution of income and wealth is severely skewed. In India, 12% of the rural families control more than half of the cultivated land. And in Brazil, less than 10% of the families control 75 of the land.

The gap between the per capita incomes of the rich nations and the poor nations is widening rather than narrowing, both relatively and absolutely. At the

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97. ibid.



extremes that gap is already more than \$3,000. Present projections indicate it may well widen to \$9,000 by the end of the century. In the year 2000, per capita income in the United States is expected to be approximately \$10,000; in Brazil, \$500; and in India, \$200.<sup>98</sup>

The failure of the First Development Decade to make any impact on the lives of the peoples of the developing countries and the general feeling that one of the important reasons for its failure was "the absence of a framework of international strategy,"<sup>99</sup> has, however, led to the adoption of an "International Development Strategy"<sup>100</sup> for the Second United Nations Development Decade (1971-80). The Strategy, adopted by the General Assembly<sup>101</sup> without vote on October 24, 1970, is a most comprehensive document setting forth in clear and unambiguous terms the goals and objectives of the Decade and the policy measures to be adopted by member Governments for the

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98. Quoted in Barbara Ward, ed., The Widening Gap: Development in the 1970's: A Report on the Columbia Conference on International Development, (New York: Columbia University Press, 1971), pp.23-24.

99. See, for example, General Assembly Resolution 2218 (X.I) of December 19, 1966 which "realizing that one of the reasons for the slow progress in achieving the modest targets set for the United Nations Development Decade has been the absence of a framework of international development strategy," requested the Secretary-General to submit to it, at its twenty-third session (1968), "a preliminary framework of international development strategy for the 1970's within which initial efforts could be concentrated on the elaboration of specified goals and targets for individual sectors and components." The Secretary-General's report subsequently provided the blue-print for the International Development Strategy. See Document ST/ECA/128.

100. Doc. ST/ECA/139, Sales No. E.U.II.A.2.

101. General Assembly Resolution 2626 (XXV)

attainment of these goals and objectives. While it has as its goal the achievement of "an average annual rate of growth in the gross product of the developing countries as a whole during the Second United Nations Development Decade (of) at least 6 per cent, with the possibility of attaining a higher rate in the second half of the Decade..." (para 13 of the Strategy) and calls for the transfer of resources of a "minimum net amount of 1 per cent of the gross national product of the economically advanced countries" (para 42) with official development assistance to be progressively increased to "a minimum net amount of 0.7 per cent of the gross national product by the middle of the Decade" (para 43). These goals are further subdivided into sectoral and sub-sectoral goals and detailed elaboration of the policy measures to be adopted by the developed and developing countries so as to meet the goals of the Decade.<sup>102</sup>

What are the chances for the success of the Strategy?

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102. These policy measures to be adopted by the developed and developing countries, as are applicable, encompass almost every aspect of international economic intercourse and economic development, such as international trade, trade expansion, economic cooperation and regional integration among developing countries, financial resources for development, invisibles including shipping, special measures in favour of the least developed among the developing countries, science and technology, human development, expansion and diversification of production and economic development plan formulation and implementation in developing countries. See : United Nations, International Development Strategy : Action Programme of the General Assembly for the Second United Nations Development Decade, Document No. E.71.II.A.2

The International Development Strategy is, undoubtedly, the most far reaching and concerted of all proposals yet developed by the United Nations for accelerating the pace of development in the Third World countries and any critique of that Strategy must begin by first looking at the goals and assumptions behind these goals.

The overall goal of the International Development Strategy, as just noted, is the achievement of an "average annual rate of growth (of) at least 6 per cent in the developing countries as a whole, which is based on a projected annual expansion of 4 per cent in agricultural production, 8 per cent in manufacturing output, and a substantial increase in the ratio <sup>of</sup> domestic savings to the gross product and of exports (paras 16 and 17). The achievement of the overall goal and the sectoral goals are predicated upon certain policy measures to be implemented by the developed as well as the developing countries which are delineated in the Strategy. While these policy measures are too numerous to be enumerated here, the most important among them are:<sup>103</sup>

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103. It is not intended that other policy measures recommended in the Strategy are not important or necessary, but these are the measures which produced the maximum discussion in the Second Committee during consideration of the International Development Strategy and against which one or more of the developed countries have made reservations. See: General Assembly Official Records, Twentyfifth Session, Second Committee, 1307th-1318th Meeting (Agenda Item No. 42).

All efforts will be made to secure international action before 31 December 1972, including, where appropriate, the conclusion of international agreements or arrangements on commodities in the relevant resolution adopted by the United Nations Conference on Trade and Development at its Second session, in accordance with the procedure agreed upon at that session, and on the basis of a timetable for the consideration of those matters. (para 21)

Efforts will be made to reach agreement, before the third session of the United Nations Conference on Trade and Development, on a set of general principles on pricing policy to serve as guidelines for consultations and actions on individual commodities. As one of the priority aims of pricing policy, particular attention will be paid to securing stable, remunerative and equitable prices with a view to increasing the foreign exchange earnings from exports of primary products from the developing countries. (para 24)

No new tariff and non-tariff barriers will be raised nor will the existing ones be increased by developed countries against imports of primary products of particular interest from the developing countries. (para 25)

Developed countries will accord priority to reducing or eliminating duties and other barriers to imports of primary products, including those in processed or semi-processed form, of export interest to developing countries through international joint action or unilateral action with a view to ensuring that developing countries have improved access to world markets and to market growth for products in which they are presently or potentially competitive. This objective will be sought to be achieved through the continuance and intensification of inter-governmental consultations with the aim of reaching concrete and significant results early in the Decade. Efforts will be made with a view to achieving these results before December 31, 1972. (para 26)

Developed countries, having in mind the importance of facilitating the expansion of their imports from developing countries, will consider adopting

measures and where possible evolving a programme early in the Decade for assisting the adaptation and adjustment of industries and workers in situations where they are adversely affected by increased imports of manufactures and semi-manufactures from developing countries. (para 35)

Each economically advanced country should endeavour to provide by 1972 annually to developing countries financial resource transfers of a minimum net amount of 1 per cent of its gross national product at market prices in terms of actual disbursements, having regard to the special position of those countries which are net importers of capital. Those developed countries which have already met this target will endeavour to ensure that their net resource transfers are maintained and envisage, if possible, an increase in them. Those developed countries which are unable to achieve this target by 1972 will endeavour to attain it not later than 1975. (para 42)

In recognition of the special importance of the role which can be fulfilled only by official development assistance, a major portion of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product at market prices by the middle of the Decade. (para 43)

In the context of the search for appropriate means for dealing with the problem of disruption of development arising from adverse movements in the export proceeds of developing countries, the International Bank for Reconstruction and Development has been requested to pursue its efforts at working out a scheme of supplementary financing. The Bank is invited to give further consideration to the adoption of supplementary financial measures at the earliest practicable opportunity. (para 51)

As soon as adequate experience is available on the working of the scheme of Special Drawing Rights, serious consideration will be given to the possibility of the establishment of a link between the allocation of new reserve assets under the scheme and the provision of additional development finance for the benefit of all developing countries. The question will, in any case, be examined before the allocation of Special Drawing Rights in 1972. (para 52)

Indeed, the International Development Strategy provides an element of statistical realism with its detailed enumeration of goals, sub-goals and targets, and the dates by which they have to be met during the Decade. It conceals, however, important reservations<sup>104</sup> made by the developed countries against almost every major policy measure to be implemented by them.

While the Socialist countries led by the Soviet Union have virtually disowned the Strategy by reaffirming their familiar stand in their joint statement<sup>105</sup> of reservations

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104. Initially, the economically advanced countries had insisted that their "reservations, explanations of positions, observations and interpretations" should be made an integral part of the Strategy, but their formal amendments were withdrawn on an appeal by the Representative of India in the Second Committee, supported by several other developing countries. These formal "statements of reservations" were subsequently made as an addendum to the Report of the Committee rather than to the Strategy itself. See : General Assembly, Official Records, Twentyfifth Session, Second Committee, 1311-1314th Meeting.

105. Doc. A/8074

that "the cause of underdevelopment is the continued exploitation of these economies by the advanced market economies of the West," the latter have all but discarded the Strategy by their reservations and even outright rejection of certain key policy measures to be adopted by them and which are essential for the success of the Strategy. While the senior members (United States, Canada, France and the United Kingdom) of the Development Assistance Committee have categorically indicated their inability to accept both the targets set for the transfer of resources and the dates by which they are to be achieved, they have only accepted other policy measures relating to international trade, subject to certain important conditions and reservations<sup>106</sup> which seriously undermine the basic assumptions of the Strategy and ensure its failure a foregone conclusion.

Apart from these reservations, however, the trends in the international economy also do not sustain the optimistic projections of the Strategy. While an evaluation of these trends and their impact on the economies of the Third World

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106. For details of these reservations, see document A/8124/ADD.1.

countries<sup>107</sup> is beyond the scope of this study, the two most important assumptions of the International Development Strategy are substantial increases in the flow of resources to the developing countries, especially in the component of official development assistance, and in the share of the developing countries in world trade. Unfortunately, the trends witnessed during the 1960's which, if anything, have only been further aggravated by the recent energy crises and the inflationary situation in the developed countries of the West, do not hold much promise for the Strategy.

As noted elsewhere,<sup>108</sup> the flow of resources as a percentage of the Gross National Product of the developed countries has registered a decline during the 1960's, despite the laudable goals of the First Development Decade. Between 1961 and 1971 the flow of resources from the developed market economies to the developing countries indeed rose, in absolute terms, from \$8.4 billion to approximately \$16.0 billion,<sup>109</sup> measured at

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107. For an evaluation of these trends and their impact on the developing countries, see : "Examination of Recent Developments and Long-term Trends in World Trade and Development in Accordance with the Aims and Functions of UNCTAD, Agenda item 8, Third Session, Document TD/99.

108. See supra p. 27

109. Organization for Economic Cooperation & Development, 1972 Review (Paris, 1972), p. 42



current prices and net of repayments of loans and repatriation of capital originally provided in the form of direct investment. However, if allowance is made for the rise in the average unit value of exports of manufactures from the developed market economies (2.2 per cent a year on the average), the rate of increase in total real net resource flows was approximately 4.2 per cent a year. This was less than the rate of growth in production in the developed market economies, so that as a fraction of their combined gross national product the net flow was lower in 1971 (0.74 per cent) than it had been 10 years earlier (0.86 per cent).<sup>110</sup>

In the course of the Decade, the composition of the flow has also altered significantly with a dramatic fall in official development assistance. While the flow of private capital rose steadily from 31 per cent in 1961 to approximately 45 per cent in 1970, official development assistance declined from about two thirds of the total flow in 1961 to 46 per cent in 1971.<sup>111</sup> As a result, the ratio of official development assistance to the gross national product -- for

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110. See United Nations, Implementation of the International Development Strategy : Papers for the First Overall Review and Appraisal of Progress during the Second United Nations Development Decade, Vol. II, pp. 22-23.

111. ibid. p. 25.

which a target of 0.70 per cent has been designated for the Second Development Decade -- declined steadily from 0.50 per cent in 1961 to 0.34 per cent at the beginning of the 1970's.

The nature of official development assistance has also changed in the course of the decade. While the total rose from about \$5 billion in 1961 to \$7.6 billion in 1971, the bilateral grant component declined modestly from \$4 billion in 1961 to \$3.2 billion in 1970.<sup>112</sup> Consequently, the share of bilateral grants to the total has also fallen steadily -- from about three fourths at the beginning of the decade to less than a half in 1970. An increasing proportion of official assistance has been dispensed as bilateral loans.<sup>113</sup>

The swing from grants to loans has accentuated the problem of external debts of the developing countries, which rose at an average rate of about 13 per cent a year during the 1960's and at the outset of the Second Development Decade stood at \$60 billion. Servicing of this debt absorbed about \$6 billion in 1971 which was over 10 per cent of the export earnings of

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112. OECD, 1972 Review, (Paris, 1972), p. 76.

113. For these and other changes in the nature of official development assistance, especially a marked increase in commercial credits, see "The Developed Market Economies and the International Development Strategy" in Implementation of the International Development Strategy : Papers for the First Overall Review, Vol. II.

the developing countries during that year, which has far reaching implications for the target for exports set in the International Development Strategy.<sup>114</sup>

In the international trade area, the acceleration of the rate of growth of the gross domestic product of the developing countries, especially in the second half of the 1960's was closely connected with a marked increase in the expansion of their export earnings. An important stimulus to this export growth after 1967 was an unusually rapid expansion of the demand of the developed market economy for the exports of developing countries, accompanied by a rising rate of domestic inflation in the major industrial countries. The rapid expansion of the exports of the developing countries was, therefore, a response at least in part to an essentially temporary stimulus, rather than to the introduction of new policies or measures designed to achieve a long-term improvement in the export earnings of developing countries. There is no reason to believe, therefore, that the expansion of the exports as envisaged in the International Development Strategy will be sustained during the 1970's.<sup>115</sup>

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114. For a discussion on this point, see in particular, UNCTAD, Examination of Recent Developments and Long-term Trends in World Trade and Development in Accordance with the Aims and Functions of UNCTAD, (UNCTAD : Geneva), Doc. No. TD/110, pp. 3-4.

115. Ibid..

On the contrary, there are indications that the deceleration in the developed market economies on account of the international monetary crisis and the efforts to arrest the inflation, which had begun to pick up speed even before the Strategy was adopted by the General Assembly, is going to have an adverse impact on the exports as well as the terms of trade of the developing countries. The more recent energy crisis, precipitated by the Arab oil embargo, will not only further strengthen these trends but will make it impossible for the developing countries to achieve even the target set for agricultural production.

The "First Overall Review and Appraisal of the Objectives and Policies of the International Development Strategy for the Second United Nations Development Decade" already confirm these trends :

"The balance sheet of the first two years of the Second Development Decade shows that the development problem, far from being solved, has become increasingly acute, and in many cases there has been a setback when compared with the situation prevailing in the latter part of the past decade.... Preliminary evidence suggests that the average annual rate of growth of the gross domestic product of the developing countries during the first two years of the Second Development Decade did not quite reach the annual average of 5.0 per cent recorded in the preceding decade, and was in fact significantly smaller than the average of more than 6 per cent reached in the closing years of the decade... Unfavourable weather aggravated the structural deficiencies of the agricultural sector. Agricultural production suffered a not-

back in a large number of developing countries. The annual expansion in 1971 was far below the target of 4 per cent specified in the Strategy and in 1972 it suffered a decline.... The quantum of both exports and imports of developing countries expanded at an annual rate significantly below the target of around 7 per cent specified in the Strategy. The rate of increase in exports was in fact significantly lower than that achieved in the past decade." 116

In view of these trends the same report also concludes that the International Development Strategy is much more a wish than a policy" and the Second Development Decade is doomed to failure :

Judged in terms of international action since 1970, the cause of development has lost momentum. Despite the action taken by some developed countries, the net aggregate flow of financial resources to developing countries has made little progress towards the target specified in the Strategy, and the most critical portion of that total - net official development assistance as a share of the gross national product of the developed countries - has made virtually no progress at all.... The general evaluation suggests that the International Development Strategy remains much more a wish than a policy. 117

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116. United Nations, Review and Appraisal of the Objectives and Policies of the International Development Strategy for the Second Development Decade : Note by the Secretary-General, Document No. A/C.2/L.1287

117. ibid. p. 12

### Conclusion

The foregoing review and analysis clearly indicate that the targets and goals of the International Development Strategy are not likely to be achieved and that "the Second Development Decade, seen as a UN operation, will most likely be as big a disappointment as the First."<sup>118</sup> Indeed, the International Development Strategy represents the most comprehensive and concerted of all "action programmes" adopted as yet by the United Nations for accelerating the pace of economic and social development in the Third World countries. However, the reservations attached to the Strategy by the major industrial powers in the developed world make a complete mockery of the General Assembly resolution on the subject and ensures its failure a foregone conclusion.

The crux of the whole issue is that the developed countries -- both Western and Communist nations -- do not regard the problem of Third World development as a vital issue affecting international peace and security and are opposed to any radical changes in the existing international system which has served so well to perpetuate their hegemony over the developing countries.<sup>119</sup> The rhetorics and platitudes of these

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118. Susan Strange, op. cit. p. 114

119. Paul Hoffman, One Hundred Countries and One Quarter Billion People, (New York, Oceana, 1960), p. 32-34.

countries, both inside and outside the United Nations, about Third World development have been largely guided by political and ideological considerations rather than a genuine commitment to development, per se. The two aims which have played a leading role in the policies of both the Western and Communist powers have been to "create spheres of influence" as part of their "cold war" strategy and to use economic aid as an instrument for promoting their exports.<sup>120</sup>

The efforts of the developing countries to bring about a qualitative transformation of the international economic and social system through the United Nations, as seen in the preceding sections, have been successfully blocked by the developed countries. This has led to a perennial confrontation between the developing and the developed countries, particularly with the major industrial powers of the West, and a marked North/

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120. For a penetrating analysis of these motives, see United Nations, Towards a New Trade Policy for Development : Report by the Secretary-General of the Conference, Doc. No. E/Conf. 46.3; Gunnar Myrdal, The Challenge of World Poverty : A World Anti-Poverty Programme in Outline, (London : Pelican Press, 1970), pp. 327-372; F. Benham, Economic Aid to Underdeveloped Countries, (Oxford Univ. Press, 1961), pp. 88-96; also a comment in the U.S. Senate, "...Russia has become the principal backer of JUMFED about which many questions could be raised. However, we cannot fight something without nothing," Hearings on International Development Association before a Subcommittee of the Committee on Banking/Currency, U.S. Senate, 85th Congress, (U.S. Government Printing Office, Washington, D.C., 1958).

South<sup>121</sup> bipolarity which is giving the United Nations economic and social activities the unfortunate orientation of charity enterprises, rather than the acceptance of legitimate obligations under the United Nations Charter.<sup>122</sup> The pressures from the developing countries have, of course, resulted in a vertical proliferation of United Nations bodies and programmes, but they have failed to bring about any perceptible change in the system.<sup>123</sup> The abject failure of UNCTAD to make any dent on the vexing trade and liquidity problems of the developing countries and the still birth, first, of UNCDF and now the International Development Strategy, epitomise the determination of the industrial powers to guard the present system as tenaciously as possible and demonstrate that, despite their numerical strength and voting power, "the developing countries are rather the supplicants of the West - they can only cajole, not force potential donors to give aid... or to grant special preferences."<sup>124</sup>

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121. This term is generally used to describe the "confrontation" between the developed and the developing countries in the economic and social field, as opposed to the East/West confrontation in the political field. However, it is interesting to note that the developed regions as a whole are located North of the Equator while most of the developing regions are located to the South of the Equator.

122. On this point, see Mahdi Elmandjra, *op. cit.* pp. 17, 292.

123. H. Cleveland, The Promise of World Tensions, (New York : McMillan Co., 1961), Ch. III.

124. Kenneth J. Twitchett, *op. cit.* p. 16.



This has serious implications for both the aspirations of the Third World and the future of the United Nations. The development of the Third World requires a radical transformation of the existing international economic and social system. However, as noted elsewhere, the United Nations was not designed to produce such a transformation; on the contrary, the aims and objectives behind the Charter provisions in the economic and social area were the preservation and maintenance of the status quo and no change in the system is possible without the willing cooperation of the major industrial powers. As pointed by the Commission to Study the Organization of Peace, the United Nations can do only what its member states wish it to do and are prepared to support by necessary national action. The United Nations does not have taxing or enforcing power to compel compliance with its economic decisions.<sup>125</sup> It is evident from the lessons of UNCTAD and UNCDF that unless the developed countries are willing to surrender part of their privileged status, no fundamental transformation of the system is possible and that the UN resolutions and "action programmes" such as the International Development Strategy, however well intentioned, will remain on paper.

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125. See Strengthening the United Nations : Tenth Report of the Commission to Study the Organization of Peace, (New York : Harper, 1957), p. 187.

Indeed, whatever little momentum built up at the inception of the Strategy has been lost because of the present crisis in the international economy. This has resulted in a drastic and consistent reduction in the net flow of resources to the Third World countries during the last few years. The growing emphasis on "aid maximization" and the excessive preoccupation, even obsession, with problems of "coordination" and "capacity" as with the Pearson and Mackson reports referred to earlier, are deliberate attempts to side track the basic issues affecting development, such as more equitable trade relations, international liquidity, transfer of technology, etc. The outcome of the General Assembly Special Session on Raw Materials held in April 1974 and the violent reaction, particularly of the United States as the leader of the free world, to the Charter of Economic Rights adopted by an overwhelming majority of the General Assembly on December 13, 1974,<sup>126</sup> exemplify a total disregard of the problems and aspirations of the Third World, even of the Charter responsibilities relating to economic and social cooperation.

It is clear that what is needed is a complete transformation of the existing economic order -- an order which overwhelmingly favours the producers of finished goods to the detriment of

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<sup>126.</sup> See the speech of the Representative of the United States in the General Assembly, quoted in Times of India (New Delhi), December 14, 1974.

the producers of primary goods. Unless the benefits of trade are truly "internationalized" so that developing countries can reach the point of self-sustaining growth, and unless there is redistribution of wealth and resources and sharing of technology for mutual benefit there can be no meaningful progress towards the economic emancipation of the unfortunate billions comprising the Third World countries.

The role of the United Nations in this transformation, if at all possible, is likely to be, as in the past, purely symbolic. This assumption is based on the fact that the United Nations is an association of sovereign states, not a supranational organization, and progress beyond a symbolic role is barred by real political conflicts and controversies which cannot be resolved in the absence of an ultimate political authority to decide them.<sup>127</sup>

However, the United Nations seems to be the most plausible forum for negotiations, cooperation and, at times, of confrontation. The initiative for change has to come from the developing countries as and when they succeed in building substantial solidarity among themselves to present a challenge, both political

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127. Quincy Wright, International Law and the United Nations, (Asia Publishing House: New Delhi, 1960), p. 129

and economic, to the industrially advanced countries. Whether this challenge and the necessary transformation could be peaceful or violent, is a question -- loaded, as it is, with multiple, complex factors -- which cannot easily be answered today.

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