

# GENERAL ASSEMBLY

## SEVENTH SESSION

Official Records



SECOND COMMITTEE, 206th

MEETING

Friday, 7 November 1952, at 3 p.m.

Headquarters, New York

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**Chairman: Mr. Ernest CHAUVET (Haiti).**

*In the absence of the Chairman, Mr. Ernest Chauvet (Haiti), Vice-Chairman, presided.*

**Economic development of under-developed countries (A/2172, chapter III, A/2192, A/C.2/L.155, A/C.2/L.164, A/C.2/L.165 and Corr.1, and A/C.2/L.166) (*continued*):**

- (a) **Financing of economic development of under-developed countries: report of the Economic and Social Council (A/C.2/L.154 and Corr.1, A/C.2/L.157, A/C.2/L.159, A/C.2/L.161, A/C.2/L.162 and Corr.1 and A/C.2/L.163);**
- (b) **Methods to increase world productivity: report of the Economic and Social Council;**
- (c) **Land reform: report of the Secretary-General (A/2194, A/C.2/L.158/Rev.1 and A/C.2/L.160);**
- (d) **Technical assistance for the economic development of under-developed countries (A/C.2/L.156 and Corr.1 and 2)**

[Item 25]\*

**GENERAL DEBATE (*continued*)**

1. Mr. ENCINAS (Peru) said that at the tenth session of the Economic and Social Council the Peruvian representative had stated that technical assistance programmes and finances were not merely complementary

but essential elements in any effort to promote the economic development of less developed countries.<sup>1</sup> The economic development of Europe and the United States in the nineteenth century had involved active movements of capital and technical knowledge from the more advanced to the less developed countries. Similar movements were essential today if the economic balance of the world, i.e., a high level of demand, employment, investment and productivity, was to be maintained, and if international trade was to expand.

2. It was generally agreed that the United Nations technical assistance programmes were necessary and effective. National programmes, the "Point Four" programme and the Colombo Plan had also set a valuable precedent in international life, and pointed to the way in which the problem before the Committee could be solved. But it was also agreed in most quarters that technical assistance, although essential, was not by itself sufficient. Little would be achieved in the long run if technical progress was not accompanied by social and economic improvements which would increase productivity and raise living standards in the under-developed countries. The Economic and Social Council had realized that large-scale capital investment was necessary for that purpose. Capital investment was the more urgently required because the economically under-developed countries constituted not only an economic

\* Indicates the item number on the agenda of the General Assembly.

<sup>1</sup> See *Official Records of the Economic and Social Council, Tenth Session, 369th meeting.*

and social but also an ideological and spiritual vacuum. In those countries misery, resentment, frustration and disillusionment created openly or potentially subversive forces, and conditions sensitive to the current ideological and spiritual conflict. The main function of economic and social development was to fill that vacuum completely.

3. In time technical assistance and capital investment could lead to the conditions of prosperity essential to peace, but the question was how long the process would take. In view of the increasingly pressing urgency of the situation, his delegation supported the establishment of the proposed international finance corporation and of the special fund for grants-in-aid and long-term loans, and viewed with alarm the relative tardiness of some delegations in coming to grips with the problem of financing economic development. Some of those delegations seemed to think that existing national and international agencies were sufficient to meet the situation, and others that history would produce a solution. In both cases it was felt that little or nothing new or substantial could be done at once to improve the lot of the under-developed countries.

4. The fate of those countries depended exclusively on United Nations action. It was to be hoped that their emancipation would take place in accordance with the principles of the Charter, and not with others which would lead to economic and spiritual dictatorships abhorrent to what was best in man.

5. Since the peace and welfare of mankind were in danger, immediate steps should be taken to eliminate the conditions responsible for that situation. The moment was near when the rate of development might be decisive for the outcome of economic development. Any delay would mean more work and more suffering not only to save millions of lives but also to preserve an ideal.

6. The limitations of national capital in respect of the economic development of under-developed countries were well known. The situation was a vicious circle: the under-developed countries required large-scale capital investment to finance non-self-liquidating projects; but the high rate of capital investment required could only be forthcoming at an advanced—or relatively advanced—stage of national progress.

7. Foreign private capital had been the source of the extraordinary economic development of the United States and of the expanding economy of Canada, but in other areas the same results had not been achieved, probably for cultural, historical and even religious reasons of various kinds. As stated in the Secretary-General's study on *International Capital Movements during the Inter-War Period* (ST/ECA/2), private foreign investment usually concentrated on the production of raw materials generally intended for export, which did not contribute directly to economic development as understood in the United Nations. Although there were exceptions to that rule, especially in the post-war years, and although there had been a tendency to invest in services and manufacturing industry, it was no exaggeration to state that the most effective stimulus to economic development would be to direct the flow of investment into channels which would directly benefit the plans of social improvement pursued by the United Nations.

8. Foreign private capital, unlike domestic capital, was available in large quantities; but it was relatively inert. It should be made to contribute more effectively to economic development. Both foreign private capital and domestic capital had fulfilled and were continuing to fulfil an important function in national economies, although it was obvious that neither was at the moment sufficient to promote the type of economic development contemplated. Both were essential if the economic objectives outlined in the Charter were to be achieved.

9. Public and international foreign capital, by their very nature, could make a more direct and prompt contribution to economic development. Either method of financing, whether administered by the States directly concerned or by some international agency, would offer, at least in theory, better and more immediate possibilities of economic progress.

10. The proposed international finance corporation and special fund deserved the support of all Member States irrespective of their level of economic development. The fund would require a system of incentives similar to that existing in Australia, the United Kingdom and the United States, if it was to achieve the objective of helping countries to help themselves and eventually to create other fields for investment.

11. To sum up, all forms of capital investment were essential, complementary and, taken together, sufficient. Foreign capital, if properly channelled through the international finance corporation, would stimulate the flow of national capital and create unsuspected opportunities of general development. Such a financing policy would be one of the foundations for peace, the other being fair trade among countries at different economic levels under a system barring autarchy and discrimination.

12. He paid tribute to the splendid work done by the regional economic commissions. The training centre established by the Economic Commission for Latin America, for example, illustrated the practical outlook and vision of that agency. In co-operation with the Economic and Social Council and the other regional economic commissions, ECLA had taken effective action to improve co-ordination and to investigate methods of expanding trade between Europe, Asia and Latin America.

13. Mr. KRIVEN (Ukrainian Soviet Socialist Republic) said that the Chilean, Saudi-Arabian, Iraqi, Bolivian, Costa Rican and Argentine representatives had rightly pointed out that while many resolutions and recommendations had been adopted by the United Nations on economic development, little had actually been done to assist the under-developed countries. The Costa Rican delegation had remarked (202nd meeting) that no more than one per cent of the amount spent on war preparations by the United States and other imperialist Powers was spent for aid to less-developed countries. The Iranian and Argentine representatives had stressed (204th and 200th meetings) that the economic plight of the under-developed countries was more serious than before the Second World War. That deterioration was due to exploitation and depredation by the imperialist Powers.

14. In recent years the United States and other countries had even intensified their exploitation to keep

pace with the armaments race. The statements made by the Bolivian representative and by representatives of other under-developed areas, who had referred to the struggle of their countries to overthrow the yoke of imperialism, could not be disregarded.

15. The various reports submitted by the Secretariat and the Economic and Social Council had tried, as had the United States Secretary of State in his statement,<sup>2</sup> to explain the worsening situation by alleging that food production was insufficient to meet the needs of a constantly increasing world population. But the Malthusian theory, which was unscientific and disproved by the facts, was merely an attempt to lead public opinion astray and to detract attention from the division of the world into rich and poor countries.

16. The under-developed countries had great natural resources and manpower, which if used rationally would lead to higher living standards, but they were not masters of their own fate. Rich sources of raw materials were controlled by foreign monopolies which imposed their policies on the under-developed countries, compelling them to engage in single-crop cultivation, destroying and depleting their economies and stifling the development of domestic industry and agriculture. On 30 March 1952, Mr. Acheson had stated in the Senate Foreign Relations Committee that the initial objective of the "Point Four" programme was to create a favourable atmosphere for investment, and that the United States did not intend to establish large-scale industries in the under-developed countries but to create new outlets for United States goods.

17. It was clear, therefore, that, in providing assistance, the United States was not interested in making the under-developed countries independent and economically self-sufficient; it did not assist those countries to develop their own national industries but was concerned exclusively in exploiting them as sources of raw materials for its own strategic purposes.

18. The American publication *Business Week* of 3 November 1951 had reported that profits from United States foreign investment in the six years ending in 1951 had amounted to 10,500 million dollars. In 1950 about 80 per cent of the profits from foreign investment had been remitted to the United States, and the balance was still subject to American control.

19. Huge profits were obtained by American and British oil companies in the Middle East. A report by an oil specialist in *The New York Times* of 4 January 1949 had stated that, whereas the cost of producing a barrel of oil in the Middle East was forty-five cents, its selling price in Europe was 2.65 dollars. Figures showed that in the year 1950-1951 there had been a rise of 58 per cent in the profits of 817 British colonial companies; and the profits from tin, copper, non-ferrous metals and rubber in the same period had shown similar increases. The dividends of the largest British rubber company in Malaya had risen from 25 to 45 per cent during that period.

20. The Middle East offered an example of the attempt by the capitalist monopolies to keep the under-developed countries in a dependent position as mere sources of raw material. Only 15 to 20 per cent of the

population in the Middle East were engaged in industry and transportation, the remaining 80 to 85 per cent being employed in agriculture. That showed how backward the economy of the area was although it had been under the domination of foreign capitalists for 100 years. The only aim of the capitalists in those countries was to satisfy their own raw material requirements. In Egypt, cotton growing was being increased at the expense of wheat, maize and rice crops, with the result that Egypt, a traditionally wheat-producing country, now had to import wheat and suffered from a persistent food shortage. There had been a 50 per cent drop in its woollen yarn production in the period 1948-1950, and sugar production had also fallen considerably.

21. American assistance to Iran had had equally harmful effects on that country's textile industries. American and British monopolists were exporting cotton yarns to Iran, thereby undermining the local industry, which normally would have been able to meet domestic requirements.

22. Contrary to the allegations of the Turkish representative to the United Nations, it was clear that that country was also suffering the consequences of accepting American aid. General Arnold, the head of the United States Military Mission in Turkey, had stated that in the period 1947-1951 Turkey had received military equipment from the United States to the value of 1,000 million dollars. The aim of the United States was to militarize the country, and accordingly the Turkish Government now spent over 60 per cent of its annual budget for military purposes. Meanwhile, the United States was obtaining increasingly large amounts of such valuable raw materials as chrome ore from Turkey.

23. Both for the preparation of a new war and for the huge profits obtainable, the American monopolists were rapidly increasing the production of oil in the Middle Eastern countries. Oil production in the Middle East in 1951 had been more than six times greater than in 1937. The oil production figures for Saudi Arabia were similar; yet despite the increased profits obtained there had been no increase in the national income of the oil-producing countries. The record of the former Anglo-Iranian Oil Company in extracting profits and undermining the local economy was similar. By forcing the under-developed countries to concentrate on the extraction of one mineral or to apply a single-crop system of agriculture, foreign capital was dooming them to one-sided development and to economic backwardness. Raw materials were bought from them at low prices, whilst high prices were extracted by the capitalist monopolies for their own industrial products, with the result that the local populations suffered unemployment and starvation. The representatives in the United Nations of countries such as Iran, Iraq, Argentina, Chile, Pakistan and others had proved by their statements that United States policy was plundering their countries and stifling the local economies.

24. He referred to the statement by the Bolivian representative in the General Assembly,<sup>3</sup> which showed that Bolivia was yet another example of capitalist economic domination. In spite of the great natural resources of that country, tin was the only material intensively mined; and the capitalist countries had fixed an ex-

<sup>2</sup> See *Official Records of the General Assembly, Seventh Session, Plenary Meetings*, 380th meeting.

<sup>3</sup> *Ibid.*, 384th meeting.

tremely low price for it. Such a policy, the Bolivian representative had said, was a violation of the solidarity and reciprocity which should exist in the relations between the larger and the smaller Powers.

25. The examples he had quoted indicated the true state of affairs, which was very different from the falsely optimistic picture painted by the representative of France. The facts served only to reveal the hypocrisy of the statements by the United States and United Kingdom representatives in the Second Committee, who had attempted to prove that assistance granted to the under-developed countries was designed to improve the living standards of the populations of those countries. Such assistance was not granted on a basis of equality, and the elementary rules of respect for national sovereignty and non-interference in national affairs were disregarded.

26. As the representatives of Chile, Bolivia, Iran, Guatemala, Egypt, Uruguay, Argentina and others had pointed out, the first requisite for the economic and cultural welfare of their countries was that they should control their own natural resources and should become industrialized and economically and politically independent. The history of many countries bore out the fact that dependent countries could never become highly developed.

27. Agreements relating to the provision of technical assistance must be concluded on a basis of equality and mutual advantage, and must aim at developing the industries of the recipient countries. The assistance must be designed to strengthen the economic self-sufficiency and political independence of the under-developed countries as sovereign States, and not to provide political, military and economic privileges for the donors. Only thus would technical assistance conform to the high principles of the Charter, and only thus would the under-developed countries be able to improve their standards of living, overcome their economic and social backwardness and take their place on equal terms with other countries in the community of nations.

28. The relations between the Soviet Union, the People's Democracies and the Chinese People's Republic were an example of the free and friendly co-operation which should exist. The Soviet Union had provided disinterested aid to the People's Democracies and promoted their industrialization. Since the war, the People's Democracies had restored their ruined economies and had made great progress in industrialization. Hungary, for example, had been transformed from an agricultural into an industrial country, the output of its heavy industry having tripled since the war. There had been a similar increase in the industrial production of Romania and Bulgaria, and in Albania, textile factories, hydro-electric plants, sugar refineries and other industries had been established.

29. The discussion in the United Nations had clearly shown the desire of the under-developed countries to free themselves from the imperialist yoke, and on the other hand, the unwillingness of the colonial Powers to sacrifice their interests and promote economic development in those countries. Such a development would not be possible until the colonial and semi-colonial systems had been brought to an end. It was clear that the United States, the United Kingdom and others were endeavouring to increase the economic de-

pendence of the under-developed countries, from which they derived exceptional advantages. The under-developed countries must make it their main objective to exploit their rich resources to achieve radical improvements in the welfare of their peoples. The United Nations should provide the under-developed countries with assistance calculated to strengthen their economic and political independence.

30. Mr. BRIGHT (Liberia) said that his country was very interested in the technical assistance programme, and had already incorporated the facilities offered into its development planning. Twenty per cent of Liberia's national income was devoted annually to its technical assistance programme, the main objectives of which were to promote education, health and sanitation, civic improvements, agriculture and commerce. The food supply was being expanded and goods for export were being improved and diversified.

31. It was gratifying to note the willingness of the more advanced countries to assist less developed countries by making available technical knowledge. His delegation supported the view that immediate attention should be given to the financing of projects in the under-developed countries. Much had been said about the need for appropriate conditions to attract capital investment in under-developed areas. If investment opportunities were sought with due recognition of the rights of the under-developed countries, it should always be possible to enter upon mutually beneficial arrangements. In their quest for suitable investment opportunities, investors should also bear in mind the fact that the needs of the populations of the under-developed areas had been greatly augmented by the progress of civilization, and that new arrangements must be made in accordance with the demands of the present age.

32. Liberia welcomed foreign capital investments which conformed in size and tempo to its existing requirements. Its experience with foreign investors had been rather mixed, and in some cases the arrangements made had not fulfilled its hopes. In others, however, when attention had been drawn to inequalities in the provisions of an agreement the investor had shown willingness to negotiate more favourable terms. An example of the latter kind was the agreement recently reached by Liberia with a United States company for the exploitation of iron ore deposits. Under the original agreement the amount paid by the company had been negligible, with no provision for profit-sharing, and Liberia had not been represented on the governing body which controlled the sale of the product and the disbursement of profits. When those inequalities had been pointed out to the company it had readily agreed to negotiate, and as a result Liberia was to receive 25 per cent and eventually 50 per cent of the net profits, and the board of directors had been reconstituted to include Liberians.

33. It was not enough, however, merely to stimulate production by the provision of capital; favourable marketing conditions must also be ensured. Plans should therefore be formulated for a general agreement on prices for world products. A sustained world market could not be hoped for in an atmosphere of trade restrictions and tariff barriers or in a situation in which manufacturing countries were unwilling to pay pro-

ducers of raw and semi-finished materials a fair price for their products. Such restrictions in markets and prices could easily render unavailing all the efforts of the United Nations to implement its assistance programme.

34. He reserved the right to comment on the sub-items of item 25 as they were discussed separately.

35. Mr. YAFTALI (Afghanistan) said the development of under-developed countries was of the utmost importance, since the world was indivisible, economically as well as politically, and the improvement of economic conditions in all countries would offer the best assurance for the maintenance of peace.

36. His delegation, which represented an under-developed country, considered material welfare and economic development necessary conditions for the preservation of individual freedom and for national survival. Afghanistan depended to a large extent on such measures of assistance as might be adopted by the United Nations. From that point of view the time element was most important, since economic conditions in Afghanistan, as in other under-developed countries, were serious.

37. His country was primarily agricultural, and an increase in production meant, among other things, the expansion of the arable area. Perennial agriculture depended entirely on irrigation, and the expansion of agriculture therefore necessitated the development of irrigation facilities. In the years immediately following the Second World War, Afghanistan had suffered serious crop losses as a result of drought. Realizing that the shortage of food was a world-wide phenomenon, and that each country should adopt appropriate measures to alleviate the situation, his Government had immediately intensified its policy of land reclamation and water conservation. Several large storage dams had already been built, and another was shortly to be completed, which would provide the country with very considerable sources of energy. A large irrigation system had been almost completed; that was one of four or five similar systems to be gradually constructed. The completion of those projects would improve the food situation in Afghanistan and provide raw materials for home industries, and would also make it possible to export the agricultural surplus to other countries. He outlined the plans for the utilization of water resources in the Kabul, Kunduz and Kokechah River basins, which would result in a great improvement in economic conditions in the country as a whole.

38. A textile factory and a sugar beet factory which had been constructed before the Second World War had enhanced the value of agricultural produce and guaranteed farmers a high return for their labour. One of Afghanistan's most important industries, which provided a valuable source of dollars, was the sheep industry. A United Nations technical assistance group, after careful scientific study, had recommended a number of practical measures to increase the number of sheep and improve the quality of the skins.

39. Various other factors affecting the improvement of agriculture had been incorporated into the country's economic development plan. Plans were under consideration to improve agricultural implements, as also the quality of seed used, and mechanical means of cultivation and harvesting might be introduced. Capital for

the purchase of such machinery would be provided by a co-operative farm credit organization.

40. The Helmand River Basin Development was contemplated as a well-integrated programme of regional development, modelled on that of the Tennessee Valley. Agricultural products in the Helmand River Valley would be diversified and cash crops such as cotton and sugar cane and beet would be grown. The scientific processing of food and the dehydration of agricultural products for export would be introduced. The valley had an abundant supply of potential electric power, and a first-class road which provided an adequate export outlet for its produce. All those developments, however, urgently required capital.

41. His Government had considered it of prime importance to develop the country's mineral resources, in particular coal and petroleum. In connexion with the development of petroleum, the Government had assumed all the risks of exploration and exploitation and had not allowed the participation of outside capital. The technical side of the work had been carried out under the auspices of the United Nations and by technicians furnished by the Technical Assistance Administration. He hoped that Afghanistan would soon be able to provide sufficient petroleum products to satisfy the home market.

42. There were, however, other factors vitally affecting the country's economic life over which his Government had no control. These factors were mostly in the field of foreign trade. The wide difference between the low prices received for primary products and the high prices paid for industrial and manufactured goods resulted in low income levels and a low standard of living. Foreign trade was also hampered by Afghanistan's land-locked situation.

43. The projects planned for the improvement of economic conditions in Afghanistan required capital. He believed that the Economic and Social Council would find ways and means of providing the capital for financing projects in his own and other under-developed countries and that those projects would then be implemented through appropriate institutions.

44. Mr. HUNEIDI (Syria) said that economic co-operation was indispensable for the preservation of peace in a world torn asunder by warring political ideologies. The United Nations had been created not only to discuss political problems, but to work out a system of economic co-operation under which the world's resources would be fully utilized for the benefit of all. Such co-operation could only be achieved in the spirit of the Charter. It should be a two-way process, based on the principle of equality and mutual benefit between the developed and the under-developed countries.

45. His country's economy was primarily agricultural, and his Government was determined to use every means to increase productivity and develop its economic potentialities. The Government's main objective had been to mechanize agriculture. Experimental stations had been opened in many parts of the country and the number of tractors had risen from 300 in 1948 to 1,342 in 1951. New schools had been opened, particularly in the rural areas, new hospitals had been set up and special programmes had been prepared by the

Ministry of Agriculture to help farmers to improve their lot. As a result of those efforts there had been a great increase in the productivity of the land. The yield of cotton, for example, had more than doubled between 1946 and 1950 and it was estimated that in 1952 production would amount to more than 45,000 metric tons.

46. Land reform had always been a major problem for Syria. The majority of those who tilled the land had not owned it, and the situation had given rise to many disputes and misunderstandings between landowners and farmers. But the Land Reform Decree of 1952 had dealt with the problem by distributing state land to landless farmers. In order that its objectives might be achieved, the land reform programme had had to be supplemented by a new policy regarding the status of nomadic tribes. For centuries a major portion of the population had led a nomadic life, enjoying a more or less autonomous status being hardly affected by the reforms and policies affecting the rest of the population. Possession of the land had played no part in their economic life and whatever land was owned was under the absolute control of the chieftain. Consequently, little or no urbanization had been achieved until recently. The Government was currently undertaking a vast project for the urbanization of those tribes and for their integration into the national economy.

47. Syria had not yet signed an agreement with the Technical Assistance Board, for reasons which had been explained to the Board. He hoped that the difficulties which had arisen would be overcome after further consideration. He wished, however, to associate his delegation with the comments made by the Iraqi representative on the selection of experts. It was essen-

tial that the experts appointed should be fully cognizant of the problems of the country with which they would be dealing and should show sympathy towards it. Since there were eight Arab countries eligible for technical assistance, his delegation failed to understand why not a single Arab had been appointed to the Missions Division of the Technical Assistance Administration. He believed that the only way of removing any apprehension on the part of the Arab countries with regard to the use of foreign experts was the presence in that Division of an Arab who could assist it in carrying out its functions for the betterment of the area concerned.

48. His country's financial capacities were limited but its needs were great. The presence of a large number of Palestinian refugees constituted a heavy burden on the Government; particular attention should be drawn to the poor health conditions of the refugees. While his Government had provided all the medical care possible, it still lacked sufficient doctors and resources to cope adequately with the problem and prevent the spread of possible epidemics in the country. He hoped that WHO would lend its assistance by establishing an office in Syria to care for destitute and sick refugees.

49. The representative of Israel had referred (204th meeting) to the obligation of the countries of the Middle East to co-operate on a regional basis under the provisions of the United Nations Charter. He (Mr. Huneidi) believed that before speaking of co-operation in the economic field, Israel should first try to apply the resolutions of the General Assembly on the Palestine question, for it was upon that that millions of lives depended.

The meeting rose at 5 p.m.