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(c) Land reform: report of the Secretary-General (A/2194);	
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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

Economic development of under-developed countries (A/2172, chapter III, A/2192 and A/C.2/L.155) (*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);**
- (b) **Methods to increase world productivity: report of the Economic and Social Council;**
- (c) **Land reform: report of the Secretary-General (A/2194);**
- (d) **Technical assistance for the economic development of under-developed countries**

[Item 25]*

GENERAL DEBATE (*continued*)

1. Mr. SALAMANCA (Bolivia) said that his delegation would devote its remarks to the first and fourth sub-items of the item under discussion: the financing of economic development and technical assistance. The financing of economic development was not exclusively an economic problem. It profoundly affected the relations between industrialized and under-developed countries. It was indeed, as had been recognized by the Secretary-General, a problem as serious as that of collective security.

2. Unfortunately there was much tension, poverty and injustice in the world, and that called for urgent meas-

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

ures. Certain limited possibilities for dealing with the problem had been suggested. The Economic and Social Council, for example, had examined proposals for fiscal incentives to promote the flow of international capital to under-developed countries. It had been pointed out in that connexion that any resolution adopted must provide adequate guarantees against intervention in the domestic affairs of under-developed countries as a result of such flow of foreign capital. An alternative solution suggested had been the setting up of a special fund to aid under-developed countries. Those countries, however, required more than mere promises; political, economic and social readjustments had to be made so that the political stability essential to the attraction of the necessary development capital might be achieved.

3. He noted that the report of the Committee set up under Council resolution 416 A (XIV) would not be available until 1 March 1953. The creation of a special fund, therefore, appeared somewhat remote and he would not be surprised, in view of the reports of the Export-Import Bank, if the capital ultimately available would be quite inadequate.

4. Many of the industrialized countries had pointed out that a greater flow of private capital would help to solve the problems of the under-developed countries, but despite the advantages and guarantees offered by the under-developed countries to private capital investors, sufficient capital had not been forthcoming and in some countries, as his own, investment of private capital had tended to perpetuate acute economic injustices and prevent social progress.

5. The report of the experts, on *Measures for the Economic Development of Under-developed Countries* (E/1986), had reached one conclusion which reflected the situation that had existed in Bolivia. It stated that in various under-developed countries in which power was concentrated in the hands of a limited class whose chief interest was to maintain its wealth and privilege, no improvement could be hoped for without a social revolution which would bring about a change in the distribution of wealth and power. Such a revolution was in progress in Bolivia.

6. One question of particular importance to the raw material producing countries was that of prices. Price fluctuations placed them in an extremely vulnerable and dependent position. An official United States report indicated the necessity of a permanent policy for the establishment of fixed prices in keeping with the collective security requirements of the United States and its allies. Unfortunately, the price policies followed had not been concerned with the well being of raw material producing countries, as could be shown in his own country's case by the history of the fluctuations in the price of tin. The purchasing countries which were placed in a controlling position tended to ignore the well being and right to progress of the producers of raw materials. Thus the problem of price readjustment was becoming continually more difficult.

7. He had only briefly touched on the problems of financing of economic development; his delegation might comment further on them at a later stage.

8. With regard to technical assistance, his Government was studying the possibility of giving still greater impetus to the effects of its technical assistance agreements with the United Nations. It might, for example, ask for the services of more experts and the setting up of a school on administrative law. His country was one of the few which, because of its great potential wealth, could be transformed in a very short period through technical assistance.

9. Mr. LUBIN (United States of America) said it was easy to agree that poverty, disease and ignorance must be eliminated and that social and economic progress were desirable objectives but pointed out that energy and effort were required to achieve those objectives. That task had, by common consent, been set at the forefront of the discussion in the Economic and Social Council, the regional economic commissions and the Second Committee, and in the action taken by those bodies; much effort and time had been devoted to it. The results had taken concrete form in the technical assistance programmes of the United Nations and the specialized agencies, the International Bank, the Colombo Plan, the United States "Point Four" Programme and various other co-operative programmes for the economic and social advancement of the less developed countries.

10. While considerable progress had been made, much remained to be done. The American people had long subscribed to the aim of helping people to help themselves. It was convinced that the security and progress it sought for itself could never be achieved while a large part of the people of the world remained ill-housed, ill-clothed and ill-fed. Because of that conviction, his Government had supported and would continue to support the social and economic advancement of the

less developed areas through practical action both on a bilateral basis and through the United Nations and its specialized agencies.

11. The urgent need of the less developed areas for basic facilities in such matters as transportation, power, agriculture, education and public health had been continually emphasized. The advance towards higher standards of living must largely rest on those foundations and it was understandable that countries were impatient to establish them. Yet it must be remembered that because of their very nature considerable time was often required to bring such facilities into existence and that, even when they did exist, some time must elapse before they could play their full part in the local economy.

12. Despite the importance of financing economic development, that was not always the crux of the problem. In the matter of water control and utilization and the development of arid land for example, the limiting factor was not finance, but the availability of trained technicians. The total number of scientists and engineers with the necessary training in that field was only one quarter of the number required if current plans and projects in the field of water use were to be implemented. There were, however, important problems of financing still to be solved, and the United Nations must play a large part in any practical scheme for making funds available.

13. Weighing the effectiveness of efforts thus far made to promote economic development, he first wished to consider the question of capital investment, grants and loans. The data available showed that in 1951 approximately 2,000 million dollars of new external capital had been made available to the less developed countries by private investors, the International Bank and governmental institutions. Over the past seven years, the United States Government had provided almost 6,000 million dollars in the form of direct loans or grants. That did not include its subscription of 635 million dollars to the International Bank for Reconstruction and Development or its contributions to the United Nations and its specialized agencies. Within the last sixteen months the United States Export-Import Bank had approved loans of over 200 million dollars to under-developed countries, bringing the total of its loans to those areas to over 2,500 million dollars. Between July 1951 and October 1952 the International Bank had made loans exceeding 250 million dollars for projects in thirteen under-developed countries and the total of its loans to such countries amounted to over 600 million dollars. The United States Congress had authorized an appropriation of 460 million dollars for the current fiscal year to continue its bilateral programme of grant assistance to agriculture and industry in such areas. In addition, in the past five years, approximately 2,000 million dollars had been invested by European governments in their dependent overseas territories. The under-developed countries themselves had invested very large amounts from their own domestic resources and the total of such investment might be assumed to be even greater than the total of the figures quoted.

14. Though no comprehensive world-wide picture was available, there were sufficient scattered facts to show some of the results of the investments made, of the

services made available and of the efforts of the eloped peoples. In Latin America, for example, *per capita* product in the period 1946-1950 reased at the rate of 3.5 per cent a year, as d with an annual growth of only 1.4 per cent in eding five year period. The production of elec- n the less developed countries had more than between 1929 and 1950. He cited concrete ex- of the increases that had taken place in the ion of electric power in India, Mexico, the nes and Brazil, of the increases in cement pro- in Venezuela and Brazil and the increases in l steel production in Chile, Mexico and India.

describing the progress being made in the eloped countries, he referred to a Philippine partly financed by a 20 million dollar loan e Export-Import Bank, which would provide power for industrial operations as well as flood and irrigation for large areas in Luzon Island. In the Government had recently undertaken a com- hydro-electric, irrigation and jungle-clearing which so far had been financed entirely out of c resources. In Pakistan, the main work on the rigation Scheme had been completed and the Sind Barrage scheme was in an advanced stage. er of new hydro-electric power projects would me into operation and a group of new textile er factories would be in production by 1953. ia, assisted by a 25 million dollar loan from rnational Bank, was building a 235-mile rail- k in the Magdalena River Valley which would the country's eastern and western railway sys- y 1956, fast and reliable communications would en established between central Colombia and ific and Carribean ports. In Iraq, plans had awn up for a comprehensive system of flood and irrigation which would eliminate the fre- nd often disastrous flooding of Iraq's two main nd would bring a total of 9 million acres of land rrigation. In Mexico, a six-year programme had itiated to bring two and a half million acres of der irrigation, and, since 1946, some 10 per the Mexican budget had been allotted to irriga- ojects, a percentage unequalled by any other . In Thailand, one of the world's largest dredging s was well under way at the entrance to the Bangkok and its completion in 1953 would open ra in trade for the country. In Brazil, a highway en completed between Sao Paulo and Rio de , considerably reducing the average travel time i those two cities, and appreciably cutting down g rates.

e wished to point out, in passing, that the fore- enterprises which were only random examples ic economic development projects, were being on at a time when the free nations were obliged te a large proportion of their resources to their . Projects of that type were mainly financed by investment and had increasingly become the of governments and inter-governmental finan- institutions. However, in societies which did not o subject themselves completely to government s such projects could only supply the groundwork ral economic development. Only in so far as such s encouraged individual effort and private initia- ould the necessary volume of goods and services

be created for the consumer. Economic development must be considered as not merely a matter of imple- menting governmental investment programmes, but as a focusing of all the creative forces of society to in- crease the output of commodities which served to raise living standards. Each country must, of course, decide for itself what institutions it could use to achieve that end. Foreign private enterprise would play its part wherever countries indicated their willingness to en- courage it.

17. Although the flow of private investment to the less developed areas had been small in relation to the need, the fact remained that direct investment from the United States had reached a record total in 1951 and in the eighteen months ending on 30 June 1952 it had amounted to nearly 1,000 million dollars. Moreover the recent trend had been for more diversified distribution of such investments.

19. There had been occasions when some American business concerns had operated abroad in a manner which led them to be looked upon with suspicion. But such practices found no encouragement or support from the United States Government or the American people.

19. A more exact picture of the record of private investment achievements might be obtained by citing some specific instances which illustrated how such investment had promoted the growth and vitality of the economies of under-developed countries. A case in point was the American-owned Grace Company in Peru which had modernized its sugar operations and built up a paper and chemical industry at Paranonga. Of the 4,200 workers now employed there only four were United States citizens in permanent residence. Private enterprise not only brought capital and modern productive facilities into the less developed countries, it also introduced techniques for setting up new factories, as had been done by the Singer Sewing Machine Company in Ceylon. Wherever possible, American firms were now manufacturing the necessary machinery and parts for their industries locally; International Harvester, for instance, had built plants for that purpose in Brazil and Mexico.

20. Foreign private enterprise was also often able to stimulate economic development by mobilizing indige- nous capital, local investors being willing to participate in productive domestic industries in partnership with successful foreign companies. The C.O.I.A. Enterprise in Chile and the American Cyanamide Company in India were examples of that trend. Foreign private investment also often encouraged the creation of new local industries to supply goods or services required by the foreign enterprise. In that way orders from Inter- national General Electric in Mexico had led to the considerable expansion of a Mexican furniture-making firm. In Venezuela the Creole Petroleum Company had contributed to raising the earning power of local labour by providing educational facilities for its workers, as a result of which some workers who could formerly be employed on unskilled labour only were now in supervisory positions. As a final instance, there was the record of the Sears-Roebuck Company, now operat- ing a total of twenty stores in Latin America. Whereas in its early days nearly all the merchandise it had sold abroad had been made in the United States, its policy of encouraging local production had resulted in the

fact that now, about 60 per cent of its Latin-American merchandise was manufactured by Latin-Americans in Latin America.

21. Such instances served to show that foreign investment was able to contribute large amounts of capital to further economic development, provide techniques, skills and managerial experience to start new industries, and help to mobilize domestic funds and introduce social amenities. Although he had cited the contributions of American private investors to the development of economic activity abroad, he did not wish to imply that it was American investment alone which could benefit less developed countries. The possibilities of overseas investments from other countries must not be forgotten. Western Europe, which had formerly been the main source of development capital, should and must play that role again. Similarly, he had not intended to suggest that foreign private investment alone could meet the needs of the under-developed countries. Foreign investment was not a substitute for the mobilization of local capital, which, in the last analysis, was vital to successful development programmes. It was hoped that ECLA and ECAFE would help to solve that problem.

22. As had repeatedly been stated, the United States fully appreciated the extent of the task still to be accomplished in the economic development of the under-developed countries, and the fact that they would continue to require external assistance. Europe's post-war economic recovery, United Nations programmes of emergency aid and technical assistance, co-operative undertakings such as the Colombo Plan, and the United States own economic and technical assistance programmes to the under-developed countries, were all part of a combined advance and represented major investments in a peaceful future. The American people had pledged their support to the war against want and misery and their country's policy would continue along those lines.

23. Mr. DIAS CARNEIRO (Brazil) explained that his delegation had asked for an opportunity to speak for a second time on the item on economic development because it wished to present specific proposals on that item, which would later be circulated as a draft resolution.

24. It approved of the action taken by the Economic and Social Council in resolution 433 B (XIV), for it believed in the effectiveness of the Expanded Programme of Technical Assistance in achieving higher standards of living for the peoples of the under-developed areas. It wished to emphasize that the Technical Assistance Board and the Technical Assistance Committee should closely follow the General Assembly resolutions concerning the training of local technicians in their own countries, and the financing of equipment for technical assistance through international credit agencies. Regarding the former, local training by foreign instructors was less expensive if paid for in convertible currencies, and avoided many psychological and language difficulties. Although it involved certain difficulties for the instructors serving abroad, his delegation felt that those could be largely overcome. Regarding the financing of equipment, his delegation would welcome closer co-ordination between the technical assistance programme and the lending activities of the International Bank, with a view to avoiding delays in the

examination of development projects by the Bank. It also felt that the supplying of technical equipment, such as pilot plants, experimental stations and teaching material for research centres, could constitute an essential part of the functions of the proposed special fund.

25. It further considered that the principle of universal participation should not be interpreted as meaning that the contributions of countries which could contribute substantially to the expansion of the programme should be dependent on the contributions in local currency, in kind or in services of countries unable to contribute substantially.

26. In connexion with the proposal contained in Economic and Social Council resolution 416 A (XIV) to establish a committee to prepare a plan for the establishment of a special fund for grants-in-aid and for low-interest long-term loans, the Brazilian delegation wished to put forward a motion to the effect that that committee should be instructed not only to present a general survey of means for financing economic development through such a fund, but also to report to the Economic and Social Council, so that the Council might submit detailed draft statutes to the General Assembly at its eighth session.

27. In so doing the Brazilian delegation was changing its former position on the establishment of such a special fund because it considered the thesis that the financing of economic development in under-developed countries was primarily a matter for foreign or domestic private capital to be unrealistic, at least at the public utility stage of economic development. In post-war years, the flow of private capital had been towards the exploitation of petroleum and mineral resources and had tended to perpetuate the colonial status of the recipient countries. In its view, the first phase of any economic development must be concerned with the elimination of the institutional, administrative and sociological obstacles to the establishment of the conditions necessary for automatic development through capital formation. The second stage must deal with the elimination of bottlenecks and the creation of new enterprises; for that foreign private capital was not available because of the lack of profit incentive and the fear of nationalistic interference by the governments of the recipient countries. The proposed special fund would be of great assistance at that stage.

28. The International Bank persisted, though less rigidly, in considering specific projects only, not being able to free itself completely from the credit basis of its investment structure. It did not finance investment expenditures in local currency; that then might possibly be part of the activities assigned to the proposed international finance corporation.

29. A tendency for savings to exceed investment opportunities in industrially developed countries might well occur when the international tension relaxed. Potential investors might encounter in the under-developed countries, besides the general need for investment, the institutional, administrative and sociological obstacles mentioned above, and there might be a resultant recrudescence of the imperialistic and predatory tendencies which had formerly made foreign private capital objectionable as a means of financing economic

ment. In those conditions it was in the interest of developed countries to begin now to avoid deflationary pressures by helping to create conditions that stimulate the opening of future outlets for their funds.

Whilst supporting the establishment of a special fund or grants-in-aid and low-interest, long-term loans, the Brazilian delegation hoped that the detailed report referred to by the General Assembly in its resolution VI A (VI) would be something more than a mere economic appraisal of the income, operations, financial control and administration of such a fund; otherwise no progress would be registered.

With regard to the establishment of an international corporation, while supporting Economic and Social Council resolution 416 C (XIV), he felt that the matter of the proposed corporation should be related to the establishment of the special fund. Pending the Council's results of its further study of the subject, the International Bank should express its views on the potential contribution the corporation could make to the financing of economic development and on the proper conduct of its business. The Bank should give its opinion on the desirability of transferring profits resulting from the inconvertibility of currencies, on the increasing disparity between the price of raw materials and finished goods and on the price policy imposed on capital-exporting countries on capital-importing countries in respect of their exports of raw materials. The transfer problem might impair the operational efficiency of the corporation and prevent adequate use of the contributions of Member States to the investment.

Another problem which might confront the corporation was that of the repatriation of capital. Because of inflation, the over-valuation of foreign exchange, the inconvertibility of currencies and balance-of-payments deficits, some under-developed countries might have a juridical doctrine based on nationality regarding foreign private capital as capital originating in the country and reinvested profits as national capital owned by the country. It was also possible that, in the course of economic development, some under-developed countries might select particular fields for investment and establish certain priorities in their development programmes. Such planned investment might in many cases conflict with the profit motive of the corporation and with the interests of a private investor.

These problems might oblige the corporation to seek government guarantees which its establishment would be intended to avoid. The Bank should therefore express its technical opinion on the extent to which the legislative measures regulating the import and the distribution of foreign capital adopted in countries labouring under adverse conditions of inflation and balance-of-payments deficits, would influence the corporation's investment policy. The Bank should also consider the possibility of diverting funds assigned to other forms of financial assistance to the corporation in the form of subscriptions.

34. As the defence programmes in developed countries influenced the interest rate and the profitability of domestic investment, which did not encourage the

export of capital to under-developed countries, the Bank should include in its study a market analysis of funds which might be obtained for investment in the under-developed countries under the corporation scheme. The analysis should include details concerning the amount of funds available for investment in the raw material and petroleum industries and an estimate of the amount available for developing internal markets in those countries. In addition, the analysis should present an estimate of the funds available in the under-developed countries themselves. The Bank should express its view as to the best method of mobilizing the relatively small volume of domestic savings in the under-developed countries which were at the moment hoarded, invested in real estate, devoted to trade and foreign exchange speculation or invested in the more advanced countries.

35. Consideration should also be given to the relationship between the proposed corporation and existing national institutions designed to promote economic development, and to the co-ordination of the corporation's activities with current and future programmes of technical assistance. The Bank should attempt to compare the incentive offered by the proposed corporation to increase the flow of foreign private investment with other means such as tax incentives, insurance premiums for outgoing capital and government guarantees against inconvertibility.

36. Finally, the Bank should give special attention to the taxation and supervision of private undertakings to whose establishment the corporation had contributed. The proposed corporation should, in the view of the Brazilian delegation, be considered as a supplement to other measures such as the establishment of the special fund.

37. Mr. MATES (Yugoslavia) was pleased to note that many delegations attached increasing importance to the economic development of the under-developed countries as an essential element in maintaining world peace. It was generally accepted that world peace could not be achieved by political action alone and that the economic problems must also be solved.

38. The instances quoted by the United States representative in the course of his statement could not conceal the general situation prevailing in the under-developed countries. From the Secretary-General's "Preliminary Report on the World Social Situation" (E/CN.5/267) and from other United Nations reports and studies it was apparent that, in spite of private investment and other forms of assistance, the situation in the under-developed countries was steadily deteriorating. The discrepancy between the position of the advanced countries and that of the under-developed countries was the result of international economic and financial relations in the past and of the traditional movements of private capital.

39. It was generally recognized that the economic development of the under-developed countries was the most solid foundation on which lasting peace and friendly co-operation, strong enough to withstand aggression, could be based and the only path leading to international economic stability and prosperity. Accelerated development could not by itself solve all current outstanding economic problems but would certainly facilitate their solution.

40. It was generally agreed that the under-developed countries must themselves make every effort to expedite their economic development, but that they could not succeed without substantial assistance from the more advanced countries. The key to the problem was the financing of development. The under-developed countries were predominantly agricultural areas with large populations. Agricultural productivity was low yet the large population growth demanded increased productivity. Mechanization and social progress, which necessitated capital investment and expanded employment, were essential to increased productivity. In his view, the maximum effort to obtain domestic capital would produce only from 5 to 10 per cent of the national income of a given under-developed country, while from 3 to 5 per cent of the national income was required to offset its increase in population.

41. While economic development required the proper use of capital investment, for which purpose savings would have to accumulate on a larger scale than before, such savings were not possible without economic development; the vicious circle was therefore complete. The solution was to import capital from abroad. It was futile to hope that the under-developed countries could by themselves promote their economic development without foreign assistance, or to hope that the situation could be remedied by the traditional movement of foreign capital unless there was a change in international investment policy. The concentrated efforts of all countries under United Nations auspices were imperative; in that connexion he drew the Committee's attention to General Assembly resolution 520 (VI). International financing and technical assistance, together with domestic effort, would produce far-reaching results.

42. One of the greatest difficulties in establishing the special fund would be the way international and national action could be combined. The experience of international agencies such as UNRRA, UNICEF and TAA would be helpful. Whatever international body was established must refrain from imposing its policies on recipient countries and must realize the need for ensuring that the national economies of the under-developed countries were properly balanced and that

they had proper access, on a basis of equality, to international markets.

43. He paid tribute to the effectiveness of the Expanded Programme of Technical Assistance and stressed the desirability of its continuation. The experience of the Technical Assistance Board during the two years of its existence had justified the hopes of the under-developed countries. He therefore supported the proposal of the Economic and Social Council that the technical assistance contributions should be increased. Yugoslavia would continue to contribute. The Expanded Programme of Technical Assistance would promote increased productivity in the under-developed areas, although it must be borne in mind that progressive technical methods could not be purely and simply transplanted to the under-developed countries.

44. In contrast to the more advanced countries which tended to economize their manpower, the under-developed countries sought to economize their means of production. He therefore hoped that the studies on methods to increase productivity would pay special attention to conditions in the under-developed areas. It was erroneous to believe that the only method of expanding production was by increasing or placing greater demands on the labour force. Men did not merely constitute manpower; they must also be regarded as human beings. Increased output depended as much as anything on rationalized methods, some of which were likely to be discovered by the workers themselves.

45. With reference to General Assembly resolution 520 (VI), while he believed that the special fund should be established as soon as possible, he appreciated the reasons for which the Economic and Social Council wished to refer the matter to a committee for detailed study. He trusted that the members of that committee would soon be appointed so that its report might be submitted to the Council at its fifteenth session. Subsequently, the General Assembly would be able to study the Council's report on the subject, which would assist it in evolving ways and means of strengthening the world economy.

The meeting rose at 12.40 p.m.