

GENERAL ASSEMBLY

SEVENTH SESSION

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

[Item 25]*

GENERAL DEBATE (*continued*)

1. Mr. ELAHI (Pakistan) said that a new note of confidence and determination was evident in the Committee's debates on the economic development of under-developed countries. There had been a noticeable expansion in international co-operation both bilateral and multilateral, to improve living standards in the under-developed countries, and the Expanded Programme of Technical Assistance had aroused great enthusiasm and expectations.

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

2. He had been much impressed by the facts quoted by the United States representative (198th meeting) and by the latest statistics released by the International Bank for Reconstruction and Development regarding its loan operations. Previous debates had given rise to fears that the developed countries were not enthusiastic about the setting up of a special international fund to administer grants-in-aid and low-interest, long-term loans, but at that session there had been a marked absence of any adverse reference to the proposal. He therefore believed that the Committee of nine to be set up under Council resolution 416 A (XIV) might elaborate a valuable and far-reaching plan. Nevertheless, in view of the high degree of dependence of the under-developed countries upon the industrial nations, real encouragement and reassurance could come only from positive pledges of wholehearted and determined co-operation.

3. The earnestness of the under-developed countries was being amply demonstrated in deeds. Many of those countries were stretching their own resources to the limit to create pre-conditions of development and to evolve a more balanced economy. They had held out every practicable encouragement to private capital to attract it into new ventures and, where private capital had been inadequate, government backing had been given to newly established semi-public corporations. Several such corporations had been set up in Pakistan and the State had a large shareholding interest in each.

4. In many cases those measures had had considerable success in removing hesitancy among the investing public and some new private enterprises had sprung up in consequence. But, despite its efforts, the Government had not been able to effect that tremendous acceleration in the pace of development which alone could help to raise living standards. It had therefore been compelled to seek external financing.
5. He quoted some facts about developments in Pakistan to illustrate the efforts made by under-developed countries to mobilize domestic resources. In less than four and a half years, the number of joint-stock companies had risen from 1,363 to 2,976 and their paid-up capital had increased from under 80 million rupees to over 257 million rupees. Bank deposits had shown an increase of almost 50 per cent between January 1949 and January 1952 and deposits in post office savings banks and postal savings certificates had also increased. The Government had been able to raise development loans exceeding 1,100 million rupees at interest rates ranging from $2\frac{1}{2}$ per cent to 3 per cent, and taxation had produced sizeable budgetary surpluses which had been utilized for development projects. The effort had thus been considerable and results had surpassed some expectations but the need was still great and supplementary assistance from abroad was required.
6. The need was heightened by recent developments in the world pattern of trade and prices. The capacity of the under-developed countries to raise domestic capital and to import capital equipment and machinery varied directly with their trade balances. While prices of its export commodities had been high and demand active, Pakistan had accumulated sizeable trading surpluses. That situation, however, had only lasted for a short time and then the prices of primary commodities had fallen sharply. As a result its trade balance had been seriously upset and it was no longer in a position to finance imports of capital equipment from current export earnings. Moreover, in order to safeguard its balance of payments position, it had been forced to curtail imports of even some vitally needed consumer goods. The trade situation was not yet stabilized and the under-developed countries were apprehensive of further serious repercussions on their economies and development projects in the event of even a mild recession in 1953 in the industrialized countries.
7. The situation required consideration by the developed countries. It was to the latter's own interest to stabilize the market and ensure the maintenance of a level of demand for basic commodities at reasonable prices which would enable under-developed countries to earn enough foreign exchange for their requirements on both current and capital accounts. In some instances, there was urgent need for a reorientation of trade policies and tariffs in the developed countries to ensure that those policies did not defeat the under-developed countries' efforts to increase their production.
8. Examining some of the factors which were said to prevent large-scale capital investment from abroad, he said capital-importing countries had been so often told that they must endeavour to create greater confidence regarding the treatment accorded to foreign funds that they had begun to wonder whether a specially privileged position was not being requested for foreign capital. His delegation had made it amply clear that it would welcome foreign capital seeking investment purely for industrial and economic reasons and not claiming any special privileges. Some foreign investors had made a realistic approach to the subject and had set up joint enterprises with Pakistan. The European countries themselves, however, were short of capital and were not in a position to export much of it although they recognized that a suitable climate for foreign investment had been created. The two North American countries which were able to make large-scale overseas investments unfortunately had not yet recognized that fact.
9. He believed that if a realistic study were made of investment conditions in countries like Pakistan there would be no grounds for repeating the demand for the creation of a favourable climate. A new series of studies by the International Bank might help to dispel the fears of capital-exporting countries and the early creation of an international finance corporation affiliated with the International Bank might help to eliminate some of the shyness of foreign investors. An arrangement by which the services of the International Monetary Fund could be called upon, if required, for remitting foreign earnings and for repatriation of foreign capital might have the desired effect, and industrialists and financiers from capital-exporting countries might be invited to examine conditions in the under-developed countries for themselves. All those suggestions might be considered by the Economic and Social Council at its next session.
10. Lending by the International Bank had shown a steady increase, although the share of under-developed countries in the loans was still far from predominant. So far, the Bank had lent Pakistan some \$30 million, which was only a small fraction of what had been raised domestically during the same period; moreover, the interest rate charged by the Bank was almost one and a half times the rate at which the Government had borrowed internally. It was thus clear that the Bank's lending was not only inadequate but also excessively expensive by domestic standards. That fact intensified the need for a supplementary agency and his delegation was looking forward to the reports to be submitted on the international finance corporation and the special fund.
11. With the rapid increase in population in the under-developed countries since the war, food production too had become a serious problem for most of them. In Pakistan, drought and natural calamities in two successive seasons had cut food production from a surplus to a deficit. Several large irrigation projects had been undertaken to put food production on a safe level, but there again the question of finance played a very important part.
12. Notwithstanding the very impressive percentages of increase in most types of industrial activity in Pakistan, the sum total of its industrial output remained small, both because it had started initially from a very low level and because its resources had so far been limited mainly to domestic funds.

13. Pakistan had, however, given close attention to the basic question of land reform. In East Pakistan a great new venture in land ownership had been launched. The Provincial Government was buying up all proprietary and intermediary holdings of land above a certain minimum with a view to eliminating all intermediary interests between the State on the one hand and the tiller of the soil on the other. In West Pakistan, where there were vast numbers of peasant proprietors owning the land they cultivated, the problem was largely one of better technique, better finance and better marketing. A policy of progressive reforms was being vigorously carried out, but progress was slower than could be desired because of the complexity of the problem.

14. In that context, he drew the Committee's attention to one aspect of the land reform question which had not received adequate attention in the past. Land reform was not merely a matter of willingness to initiate a certain process; it was also a question of finance. His Government did not believe in expropriation without adequate and reasonable compensation. The total value of all the landed interests to be acquired would however be so great as to leave practically nothing for other development projects. The will to initiate reforms was therefore limited by the availability of funds.

15. The summer floods in East Pakistan, which inundated approximately two and a half million acres of land, left a valuable silt deposit which obviated the need for manuring, but the land remained dry for a short period, during which manual labour was unable to undertake all the processes of cultivation. The floods also left large pools of water in some places but no water at all in others. The only way to cultivate such areas was to mechanize farming and to install power pumps, and that would be possible only if the existing small-holdings and numerous intermediary interests were acquired and larger cultivation units established. The food problem of East Pakistan would be permanently solved if the vast flood areas could be reclaimed. For that purpose finance was necessary. He suggested that a thorough study should be made of the financial aspect of land reform and that the Committee which was to elaborate plans for an international fund should also examine the possibility of using the fund for financing land reform in certain cases.

16. In order to facilitate thorough consideration of the subject, he was submitting a draft resolution (A/C.2/L.158), requesting, first, that the Secretary-General include in his questionnaire to governments a question on the financial implications of their projected programmes of land reform and in his report to the Economic and Social Council consolidate and analyse the replies received, and, secondly, that a study of the financial aspects of land reform should be undertaken by the Committee of nine. He had been encouraged to make his request by the statements of the United States representative at the sixth session of the General Assembly¹ and of the Swedish representative at the current session (196th meeting), that more understanding of the need for outside assistance to finance land reform

would be shown if it was felt that the under-developed countries were on their way to eliminating inequalities in incomes and wealth.

17. He commended the joint draft resolution on technical assistance (A/C.2/L.156) to the Committee. The Expanded Programme of Technical Assistance had been a great success and even greater hopes could be entertained as it would henceforth have the whole-time attention of Mr. Owen. Pakistan was grateful for the assistance received under the programme. When the programme had first been launched, Pakistan had been confronted with a serious shortage of technical and trained personnel, following the greatest population movement in history across national frontiers. Under the expanded Programme scores of experts had been supplied and personnel from Pakistan had been trained abroad. His Government had at times felt somewhat dissatisfied with the quality of some of the experts provided, but such cases had been very few and were likely to be eliminated with the recent improvements in recruiting methods. He wished to compliment all the specialized agencies which had voluntarily assumed responsibilities for technical assistance and to congratulate the Director-General of the Technical Assistance Administration who had earned the goodwill and gratitude of all recipient countries.

18. However excellent the Expanded Programme might be, its utility was seriously limited by its size and by the emphasis laid on supplying experts and fellowships. Its facilities were primarily of value to countries at the initial stage of surveying their resources or of drafting plans for their development. Countries which had evolved beyond that stage urgently required training facilities and institutions within their own territory. The technical assistance programme should include provision for establishing such institutions and for supplying them with staff and equipment. It should also lay increasing emphasis on demonstration projects and on supplying equipment, machinery and personnel for them. The occasions on which equipment and staff had been provided for training institutions and demonstration projects had been very few and did not meet the needs to any appreciable extent.

19. It was not always necessary to obtain the most eminent international experts. Many under-developed countries were unable to make adequate use of the highly specialized knowledge of such experts which presupposed the existence of extremely complicated, expensive and specialized machinery.

20. The chronic problem of under-employment in the rural areas of under-developed countries could be solved only by establishing a network of cottage and small-scale industries and by providing cheap rural electricity. Simple machinery and the services of experts who were not factory specialists might do much to solve the problem. There was need for a new large-scale experiment in rural rehabilitation and the Technical Assistance Administration would do well to take the initiative.

21. It was also desirable to send trainees from under-developed countries to lands where industrial methods were not so highly specialized and involved as to be of little practical use to them in their own countries. Again, the recruitment of experts from outside North America would certainly be less costly.

¹ See *Official Records of the General Assembly, Sixth Session, Second Committee*, 176th meeting.

22. As there appeared to be general agreement on the continuing need for technical assistance, there was no reason why the programme should not be placed on a permanent basis. He suggested that the Economic and Social Council should make specific proposals to that effect for the consideration of the General Assembly at its eighth session.

23. The regional economic commissions had, on the whole, achieved encouraging results. He was in general agreement with the Chilean draft resolution (A/C.2/L.155), but doubted the advisability of letting the secretariats of the regional commissions have a say in the decisions on where the projects should be undertaken. The functions of a commission's secretariat should be limited strictly to presenting facts and should not call for any expression of opinion. In cases where several countries competed to have regional projects launched in their territory, it should be for the regional commission itself or its committees or, in the last resort, for the Technical Assistance Administration, to decide where a particular project was to be located. In the matter of the staffing of the economic commissions, he expressed his dissatisfaction with the extremely meagre representation of Pakistan in the secretariat of ECAFE.

24. His Government appreciated the valuable studies prepared by the regional economic commissions and hoped that their scope would be further extended. Like the Polish representative, he was disappointed that the latest series of annual regional economic surveys was incomplete and trusted that as many as possible would be available to the Economic and Social Council at its forthcoming session.

25. Mr. DURAN (Honduras) said that he had studied with interest draft resolutions contained in documents A/C.2/L.156, A/C.2/L.158 and A/C.2/L.159 and that he supported the suggestions in documents A/C.2/L.154 and Corr.1, A/C.2/L.155 and A/C.2/L.157.

26. In the present state of world tension it was imperative to give urgent attention to methods of financing the economic development of under-developed countries, either through existing organizations or through some higher international authority. Honduras was constantly faced with declining food supplies and a steady growth in population and was therefore deeply interested in developments in the smaller agricultural countries with limited resources. It was understandable that the larger, more advanced countries gave priority to defence; the smaller countries had therefore experienced an increase in their exports of raw materials intended for defence purposes and a decline in their exports of other goods.

27. It was necessary to set up some agency to co-ordinate and supervise methods of financing. The International Bank was governed by strict statutory provisions which obliged it to grant loans only against government guarantees. Unfortunately many of the smaller countries could not offer such guarantees because of the instability of their economies, unfavourable trade balances and for other economic reasons. In certain cases, private capital investment in under-developed countries had been discouraged by economic and political events such as nationalization. The Chilean draft

resolution (A/C.2/L.154 and Corr.1), warranted careful study.

28. In its report to the Economic and Social Council on the proposal for an international finance corporation (E/2215), the International Bank had emphasized the fact that the existing international and national institutions failed to meet the urgent need for capital to finance economic development. Some fears had been voiced in the Council to the effect that the proposed international corporation would not succeed in meeting the need: certain States, for example, had previous commitments which might prevent them from co-operating in a new venture.

29. His delegation had noted with great interest the views which had been expressed on the subject, including those of the delegations from the American continent which had preceded him in the Second Committee's discussion, and in the light of those views, he wished to draw the Committee's attention to the progress achieved in his own country.

30. Thanks to careful administration, Honduras was beginning to enjoy the benefits of the policy of international co-operation. Aware of the need for a vigorous attitude to the problem of economic development, it had drawn up plans to improve its economic, social and cultural structure and had particularly encouraged co-operation in international and regional organizations. In 1949 it had requested the services of a mission to survey its economic situation and report on the possibility of instituting state banks. The mission's report had been used as a basis for setting up the country's present banking system, including the establishment of a central development bank, and for drafting income tax legislation. The result was that Honduras now had one of the most modern taxation and banking systems in that part of the world.

31. Valuable assistance had also been received from the International Bank and the International Monetary Fund for the promotion of development projects and the granting of credit. Under the "Point Four" programme, Honduras had requested the services of experts, who had made road surveys and studied the country's hydro-electric power resources. The Honduran Government had also approved an immigration programme proposed by the International Bank.

32. Under the technical assistance programme, the services of FAO had been enlisted to study the country's forestry resources and make plans for soil conservation. Plans had also been made to provide training for local staff in these subjects and for the introduction of new fishery legislation and the development of the country's timber resources. Agricultural experts had also outlined plans for the agricultural and fishing industries, for the establishment of agricultural centres and for grain storage. Fellowships had been arranged for Hondurans to obtain training abroad. Cattle-breeding experts had also studied the local cattle diseases and entomologists had done useful research on insect pests. In view of the lack of local trained staff, the fellowship system was of particular value. Further examples of international assistance were the powdered milk plan sponsored by UNICEF and the survey of the country's mineral deposits to be made by the Technical Assistance Administration. He would not enlarge upon the useful function performed by the

Central American Conference of ECLA, as extensive reference had already been made to it by several of his Latin-American colleagues.

33. Economic development in Honduras was at the difficult planning stage, marked by a great need for active technical assistance, particularly in the form of experts to study its resources and plan their development, and fellowship programmes to train its own technicians. Honduras was keenly aware of the interdependence of the world and anxious to promote the economic development which would bring social well-being in its train; accordingly it fully supported all measures to that end.

34. To sum up, its intention was to promote its agricultural and fishing industries; to develop other national industries based on its raw material resources; to encourage a planned exploitation of its forests; to improve its roads and means of communication; to establish new sources of electric power; to promote low-cost housing and town and country planning; to develop rural community settlements; to encourage soil conservation and prevent soil erosion; to improve its public health organization and to raise the general standard of living.

The meeting rose at 4.15 p.m.