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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. The CHAIRMAN, having drawn attention to a new draft resolution (A/C.2/L.155) submitted by the Chilean delegation, invited the Committee to continue the general debate on item 25.
2. Mr. ABDELRAZEK (Egypt) stressed the importance of the campaign against poverty, suffering and ignorance as a means of ending international tension, with its consequent economic and social instability.
3. As a result of the Korean war radical changes had occurred in the world economic situation since

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

the second half of 1950. By the beginning of 1951 the industrial countries had begun to suffer from a lack of raw materials and the under-developed countries from a lack of industrial products; inflationary pressure was widespread and the disequilibrium in the balances of payments of several important industrial countries, particularly in Western Europe, was acute.

4. In that critical situation the United Nations and the specialized agencies had made great efforts to increase world productivity and economic stability during 1951 and 1952. The Economic and Social Council, for its part, in resolutions 341 (XII) and 367 B (XIII) had urged governments to continue their efforts to bring about adequate production and equitable international distribution of capital goods, essential consumers' goods and raw materials, to regulate prices in international trade and to combat inflation. General Assembly resolutions 521 (VI), 522 (VI) and 523 (VI), and Economic and Social Council resolution 416 (XIV) also represented further efforts to integrate economic development and increase world productivity. Alongside that series of resolutions, the Secretary General had published the report of a group of experts on *Measures for International Economic Stability* (E/2156) in which they had outlined the main causes of the existing instability and recommended three types of measures to remedy it: the conclusion of international commodity arrangements, the acceleration of the international flow of capital and the increase of international monetary reserves.

5. Widely differing views had been expressed during the fourteenth session of the Economic and Social Council, at which the experts' report had been examined. The representatives of the industrial countries, the International Bank for Reconstruction and Development and the International Monetary Fund had rejected the recommendations concerning the need to speed up the international flow of capital. Considerable opposition had also been expressed towards the proposal for international commodity arrangements. The under-developed countries had naturally objected to any attempts to stabilize primary products without provision for a fair relation between the prices of those products and the prices of manufactured products which they needed for economic development. Even the experts themselves, in paragraph 88 of their report, had admitted that commodity arrangements could not completely solve the problem of instability in world trade. The more highly developed countries, whilst favourable in principle to such arrangements, had pointed out the practical difficulties involved. The differences of opinion were reflected in Council resolution 427 (XIV) on full employment and international economic stability which, generally speaking, only recommended theoretical measures or the continuance of courses proposed in earlier resolutions.

6. The foregoing survey showed that all recent efforts to achieve economic stability and increase world productivity, particularly in the under-developed countries, had not succeeded, and the *World Economic Report, 1950-51* (E/2193/Rev.1) presented a sombre picture. It was true that no real shortage of raw materials and equipment had occurred in 1951; there had even been an increase in production. However, on account of such factors as the increase in taxes and the deterioration of terms of trade, consumption had not increased at the same rate. At the beginning of 1951 the demand for consumer goods had not met production capacity, and the output of consumer goods had decreased and then levelled off during the second half of 1951.

7. Industrial production in the under-developed countries during 1950 and 1951 had been very low in comparison with that of other countries. *Per capita* food consumption had been lower than fifteen years before, a state of affairs from which the under-developed countries were always the first to suffer. The increase in the prices of raw materials had only afforded temporary and uneven benefits. Many of the under-developed countries had also increased their orders and thus exhausted the major part of their foreign exchange receipts. Consequently several of them had been obliged to re-introduce import restrictions in the interests of their trade and payments balances. Economic progress for them depended up on the introduction of methods to finance their economic development and upon land reform and technical assistance for their development plans.

8. With regard to the financing of economic development, the Second Committee had always stressed the need for national and international measures to encourage the formation of national capital and foreign investments in the under-developed countries as a complement to technical assistance. It was regrettable that so far the total volume of domestic financial resources and invested foreign capital had been inade-

quate to finance economic development at the rate desired. Consequently the need for more effective national savings, in addition to more stable foreign investments, had always been recognized. It was difficult, however, to introduce the system of compulsory savings in the under-developed countries and foreign capital was therefore all the more necessary. Foreign investments could take three distinct forms: private capital, governmental and international loans, and international subsidies. Although private enterprise was generally recognized to be the most effective means of encouraging economic development, the amount of private foreign capital invested since the end of the Second World War had been very inadequate. Private individuals were not prepared to run the necessary risks of investing money in enterprises in the under-developed countries; more and more savings tended to be concentrated in insurance companies and savings institutions. Some countries of Western Europe which had formerly been exporters of capital were not able to export large sums outside their own monetary areas. Fear of arbitrary action by the governments of the under-developed countries, the restrictions placed on foreign countries, and double taxation, were further deterrents. It was also difficult for some foreign companies to accumulate the necessary capital for such investments. The Economic and Social Council had examined those difficulties during its thirteenth session and in resolution 368 (XIII) had recommended a number of remedies.

9. Regarding double taxation, the Egyptian delegation had made some observations to the Second Committee during the sixth session of the General Assembly, stressing the need to reinvest profits from economic development in the country concerned.¹ To help a country's economic development, profits realized in such a country should be reinvested since investors were unlikely to accept the principle of self-sustained economic development. It was appropriate therefore that the Economic and Social Council had envisaged abolition or considerable reduction of taxes imposed by the exporting countries on profits from capital invested abroad so that under-developed countries might make full use of tax incentives.

10. The more advanced countries had pointed out that such measures would involve discrimination in the tax treatment of investments at home and abroad. The Egyptian delegation's argument had, however, been well supported during the discussions at the fourteenth session of the Economic and Social Council and resolution 416 D (XIV) recommended further examination of the question of taxation in relation to international investment. With the same end in view the Council had recommended that the International Bank for Reconstruction and Development should study the possibility of setting up an international finance corporation.

11. According to the Bank's *Report on the proposal for an international finance corporation* (E/2215) the proposed corporation would be affiliated administratively but not financially with the Bank and its funds would be supplied by participating governments. It was intended to supplement, but not to supplant the contribu-

¹ See *Official Records of the General Assembly, Sixth Session, Second Committee*, 148th meeting.

ivate capital-holders and to operate essentially as a commercial association. It must not therefore limit its field of investment unduly for the sake of profit. It must have the necessary power to select projects and should adapt its financing to each individual case. In the Bank's opinion, however, because of its international nature, it should encourage capitalists to contribute to projects which they might otherwise distrust.

In the discussion in the Economic and Social Council on the provisional report submitted by the Secretary-General, the representatives indicated that their governments would have difficulty in maintaining their balances of payments and could not therefore contribute to the Corporation for the time being. But it was agreed that the Corporation could begin its operation with a limited number of members and that its membership could increase as the balance of payments in other countries improved. The fear was expressed that the contributions paid to the Corporation might divert certain capital from other uses. Several delegations stated that they would like to support the establishment of the Corporation for closer study. In the conditions of doubt regarding the Corporation's usefulness the Council adopted resolution 416 C (XIV), requesting the Secretary-General to continue its study in the light of the developments made in the Council and report to the Council in 1953.

At the present moment the two main sources of government international loans were the Export-Import Bank and the International Bank for Reconstruction and Development. Loans granted by the International Bank during the financial year 1950-51 had amounted to 1,000 million dollars and to 212 million dollars in the first nine months. As of 31 March 1952 the loans granted had exceeded 1,300 million dollars. In that connexion he recalled that the authors of the report on *Measures for the Economic Development of Under-developed Countries* (E/1986) had recommended that the Bank should make every effort to grant at least 1,000 million dollars annually during the next five years. Unfortunately the report had suffered the same fate as the report on *National and International Measures for Full Employment* (E/1584) and the report on *Measures for International Economic Development* (E/2156).

It is essential to find a means of financing under-developing projects and those with slow rates of growth which were necessary for economic development. For that purpose the General Assembly adopted resolution 400 (V). The report on *Measures for the Economic Development of Under-developed Countries* had suggested the establishment of an inter-governmental authority to assist the under-developed countries in preparing, co-ordinating and carrying out their programmes and to extend grants-specific purposes. The experts who had made that report had felt that the grants-in-aid had rapidly increased in order to amount to approximately 3,000 million dollars per year. The Economic and Social Council had not taken any decision; in paragraph 14 of its resolution 400 (V), it had requested the Secretary-General

to keep under active study the problems and methods of domestic and external, including international, financing of non-self-liquidating projects in under-developed countries and to submit those studies to the Council at its fifteenth session. The General Assembly, which had also studied the problem, had adopted resolution 520 A (VI).

15. The Council had reconsidered the matter at its fourteenth session on the basis of the Secretary-General's working paper on "Methods of Financing Economic Development" (E/2234),² according to which the Secretary-General considered that financial assistance extended by the special fund should help to offset the insufficient resources available to a country for its economic development rather than to finance specific development projects or to contribute to a country's foreign currency requirements. He disagreed with that opinion, because the international finance corporation would be responsible for supplementing the funds for financing worth-while projects. Again, the special fund could extend grants-in-aid or loans for non-self-liquidating projects only after their importance had been considered, and he felt that all public education, public health and public housing programmes were important projects.

16. The Secretary-General had expressed the opinion that it would be a mistake to establish a new body to operate the special fund, which, in his opinion, should be affiliated either with the International Bank or the United Nations. There was surely general agreement on the principle, which had been confirmed in General Assembly resolution 520 A (VI). The attitude of the delegations which continued to deny the usefulness of the proposed special fund was regrettable. He welcomed the adoption by the Economic and Social Council of resolution 416 A (XIV) and supported the Chilean draft resolution (A/C.2/L.154) before the Committee.

17. In the matter of land reform, it was generally agreed that the system of land tenure in several countries was opposed to any improvement in the living conditions of the small farmers and agricultural workers and that it impeded economic development. Economic and Social Council resolution 370 (XIII) had recommended several methods for reforming, *inter alia*, the co-operative, land-tenure and taxation systems, and he drew the Committee's attention to the two basic principles set forth in that resolution.

18. With regard to reforming the co-operative system, he wished to make certain suggestions. The Secretary-General's report, which was in course of preparation, should give a detailed survey of the principal co-operative systems and of their development. It should also indicate methods for expediting the financing of co-operative societies in the under-developed countries. In that connexion he drew the Committee's attention to General Assembly resolution 520 C (VI).

19. With regard to fiscal reform, the Secretary-General, in co-operation with FAO, in accordance with Economic and Social Council resolution 378 (XIII),

² See *Official Records of the Economic and Social Council, Fourteenth Session, Annexes*, agenda item 5 (a) and (b).

was preparing a report which would deal mainly with the structure and economic effects of taxation systems on land-tenure, harvests and agricultural incomes. The study of taxation systems would be more useful if accompanied by certain practical measures such as the convening, in various areas of the world, of international conferences to analyse and compare the various systems of land and land-tax administration in force in countries within a given geographical area.

20. With regard to land ownership, he drew attention to the recommendations in Economic and Social Council resolution 370 (XIII). There had always been general agreement on two principles governing the implementation of such land reform measures. First, reform would prove more effective if undertaken as part of a general programme rather than as a separate project. Secondly, any new distribution of land would depend largely on factors relating to population, land and other resources, particularly financial resources. Agricultural land could not be effectively redistributed unless land resources were adequate; otherwise fair distribution was not possible without exploiting virgin and arid areas. It should be noted that exploitation of the latter would be one way of absorbing surplus populations, creating employment and increasing the production of raw materials, food and income.

21. He congratulated the Secretariat on its reports on "International Co-operation on Water Control and Utilization" (E/2205) and on "the Development of Arid Land" (E/2191)³ and thanked the Economic and Social Council for having adopted resolution 417 (XIV). The problems of arid land and water resources were by nature closely connected. In view of the vastness of the arid regions of North and South America, Asia, Australia and Africa, the development of water resources was of vital importance to most countries in the world. So far no co-ordinated international plan had been initiated to solve the two problems. Although UNESCO had unofficially prepared a programme to co-ordinate scientific work in arid areas, no similar economic, social and financial programme existed, with the result that the long-term co-operation among the agencies concerned was in connexion with a number of specific projects. The Economic and Social Council, in its resolution 417 (XIV) had therefore requested the Secretary-General, through the Administrative Committee on Co-ordination, or as appropriate through TAB, to ensure co-operation between governments, specialized agencies and other interested bodies, and also co-ordination of their activities. In view, however, of the vital importance of that question for the whole world, and of the difficulties and complications inherent in it, he hoped that the United Nations would soon come to set up a special body that would ensure co-operation and co-ordination.

22. In Egypt, an over-populated country with limited arable land, thanks to the new régime, action to increase national productivity had been linked with land reform measures. In order to increase national productivity a Permanent Development and Economic and National Production Board had been established with

the following functions: to study all the economic programmes likely to develop agricultural, industrial and commercial national production; to prepare an economic programme consisting of those projects which were considered more easily put into effect, least expensive and yet at the same time most productive; to submit to the Government projects for which it would have to be responsible, specifying the proposed manner of financing them; to supervise the execution of those projects by the Government or, if need be, to undertake itself the execution of some projects, or entrust their execution to whichever agency it wished to designate for that purpose. The Board was largely independent financially as it could freely use government credits, and was empowered to launch national loans.

23. The Egyptian Government had, in September 1952, promulgated a legislative decree on land reform, limiting the amount of land which could be held and appropriating land for distribution to small farmers. No one could own more than 200 *fedan* (80 hectares) of agricultural land. During the next five years, the Government would requisition holdings exceeding 80 hectares, which would be retained temporarily by the owner on condition that the part requisitioned each year was not less than one-fifth of the total area to be requisitioned. Every person whose land was thus requisitioned would be entitled to compensation amounting to ten times the rental value plus the value of equipment, fixed capital and trees. Land requisitioned in each village would be distributed among small farmers in such a way that each would have not less than two and not more than five *fedan*, depending on the quality of the land.

24. The decree also provided for the establishment, in each village, of an agricultural co-operative society whose members would consist of the persons among whom the requisitioned land had been distributed and those owning not more than five *fedan*. The decree further specified the limit for dividing agricultural land. If holdings of less than five *fedan* had to be divided, the persons concerned had to determine to whom the land would be assigned. If agreement could not be reached, the competent tribunal would give a ruling.

25. The decree also included regulations governing the relationship between tenants and landowners and provided for the establishment of an official commission to determine each year the wages of agricultural workers in the various areas. The Government had, at the same time, promulgated an act suppressing the system of war, except those connected with welfare activities.

26. In considering the question of land reform, the Committee must bear in mind that agriculture was not a profession but a way of life. The social aspect must not therefore be overlooked. It was to be hoped that FAO would make every effort to expedite the programme which it had prepared in 1951. He welcomed the recent decision of FAO to prepare for the establishment of regional centres for training specialists in co-operative activities in the Near East and also the activities of UNESCO in connexion with basic education in rural areas. The first of the UNESCO centres had been in operation in Mexico since 1951

³ *Ibid*, agenda items 6 and 7.

and was serving Latin America; the second would be established in Cairo to serve the Arab countries.

27. With regard to the execution of the expanded and regular programmes of technical assistance, his delegation noted with satisfaction the Secretary-General's efforts to surmount the obstacles to the recruitment of experts and to expand the scope of technical assistance. It further approved the amendments made by Council resolution 433 A (XIV) to the provisions of Council resolution 222 (IX) relating to the appointment and powers of an Executive Chairman of the Technical Assistance Board. His delegation also approved the appointment of resident technical assistance representatives to help in co-ordinating technical assistance in the various countries. It hoped that, when recruiting experts, the United Nations would engage persons of world renown, since the recruitment of less well-known experts had sometimes harmed the prestige of the United Nations. His delegation would support the draft resolution intended to provide contributions totalling 25 million dollars for the Expanded Programme for 1953, but it was unable to make any commitment regarding Egypt's contribution for the third financial year.

28. It was apparent that, while in 1951 and 1952 the world had not suffered a shortage of capital goods and raw materials, consumer goods and foodstuffs had continued to be in short supply. On the national scale, nearly all countries were continuing to take measures to lessen inflationary pressures or reduce buying power. Nevertheless, inflationary pressure was continuing despite a certain slowing down in the execution of rearmament programmes. In the international sphere, many countries were continuing to restrict their imports, particularly from the dollar area, in order to reduce the disequilibrium in their balance of payments.

29. The terms of trade and the balance of payments position of under-developed countries had worsened during the year as a result of a noticeable decrease in exports and of a drop in the prices of raw materials due to measures taken by the industrialized countries. His delegation therefore hoped the eighth year of the United Nations would mark a new era of political tranquillity and the inauguration of a broader programme capable of meeting the needs of under-developed countries for both technical assistance and international financial aid.

30. Mr. JUNG (India) said the first item on the Committee's agenda was based on certain considerations and conclusions with regard to which there was general agreement, such as the proposal that there should be a more abundant flow of capital to under-developed countries, and the idea that world economy, like world security, was indivisible. The atmosphere was promising, because although there might be differences of opinion with regard to methods, an earnest desire was apparent to tackle economic problems immediately and make a serious effort to solve them.

31. Pending the issuance of the report of the Committee appointed under Council resolution 416 A (XIV) to prepare a detailed plan for the establishment of a special fund, his delegation had no specific comment

to make, but it approved the general trend of the Chilean draft resolution (A/C.2/L.154 and Corr.1).

32. The main issues before the Committee were: the best method of ensuring the flow of capital to under-developed countries; and the most suitable type of agency that could be used.

33. The Secretary-General had said that the capital available for economic development should be greatly increased; all possible sources of capital, therefore, should be tapped. Although some arguments might be advanced against international bodies, there was no doubt that they had certain inherent advantages which made them the most suitable bodies for financing. If the principles set out in the Secretary-General's working paper (E/2234) were adhered to, the world would be knit more closely together and there would be no question of the dangers involved in expropriation and monopolistic practices. His delegation therefore fully supported the Chilean draft resolution (A/C.2/L.154 and Corr.1).

34. His delegation welcomed the proposal for the establishment of an international finance corporation and would tentatively undertake to subscribe to it. It should, of course, establish the closest contact with existing agencies with similar purposes in the various countries.

35. His delegation was in general agreement with the Council's recommendations in resolution 416 E (XIV) on measures for increasing production. It was particularly necessary to increase India's food resources. While a report on agricultural co-operation was still awaited, he wished to pay tribute to the work of the regional economic commissions, the specialized agencies and the Technical Assistance Administration. He was glad that the possibility of a conference on land administration in the Far East was under study and hoped that it would bear fruit, since such gatherings could do much to ease world tension and establish peace on a solid basis.

36. India had taken full advantage of both the regular and the expanded programmes of technical assistance. In particular, it had asked for the services of experts of various kinds. If development programmes were to be carried out effectively, countries must build up institutions in which they could train their own technicians, but in the meantime the United Nations could play a very valuable part by providing experts and equipment. The Council had indeed recommended a more liberal interpretation of the provisions of Council resolution 222 (IX) relating to the provision of equipment for training institutions.

37. Finally, he was glad to announce that his Government had decided to add to the \$250,000 it had originally promised as its contribution to the twenty million-dollar budget for technical assistance.

38. Mr. BAUER-PAIZ (Guatemala) stated that his delegation considered the question of land reform the most important sub-item of item 25. For countries whose economies had an agricultural basis, the solution of almost all their economic, social and political problems depended primarily on the measures taken to improve the inequitable system of distribution and exploitation of land. In countries where land owner-

ship was unjustly distributed, backward economic social and political conditions were the inevitable result. The devising of methods to finance development, increase productivity and provide technical assistance for such countries would be of little avail unless the fundamental problem was squarely faced.

39. In accordance with General Assembly resolution 524 (VI), the Guatemalan Government had adopted practical measures of land reform by promulgating a land reform law, setting up a National Agricultural Department and distributing land to peasants who had had little or none. The last agricultural census showed that three-quarters of the country's cultivable land was owned by only two per cent of the proprietors. Such an inequitable situation was by no means uncommon in the under-developed countries and they should be given the maximum assistance by the United Nations to enable them to solve the evils resulting from it.

40. The principal objectives of the Guatemalan land reform law, as shown in the preamble and first three articles of the law, were: to develop a capitalist agricultural economy; to give land to peasants who owned little or none; to facilitate the investment of new capital in agriculture; to introduce new methods of cultivation; and to increase agricultural credit available to

peasants. The support of the great masses of the people and the just compensation paid to the expropriated landlords had made it possible for the law to be applied peacefully.

41. In spite of the praiseworthy efforts being made, there was still room for further land reform, but, in addition to land reform, other factors required consideration. He was referring particularly to the distortion of the economies of some under-developed countries as a result of the monopolistic practices of undertakings financed by foreign capital. Such undertakings not only absorbed a large part of the country's natural wealth for their own profit, but also encroached on fields which were not within their normal activities. In Guatemala, for example, a monopolistic organization had assumed control of rail transport and harbour services to the detriment of the national economy.

42. While his delegation believed that the problem should be considered further by the Economic and Social Council, it did not wish its attitude to be interpreted as one of opposition to the investment of foreign capital. Foreign investors enjoyed the same rights in Guatemala as nationals, and that was why the country expected them to base their conduct on the same principles which Guatemalans must honour.

The meeting rose at 12.40 p.m.