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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

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

[Item 25]*

GENERAL DEBATE (*continued*)

1. Mr. JOCKEL (Australia) said that his delegation preferred to wait for the results of the work of the Economic and Social Council on the subject before expressing its views on the important question of financing economic development.

2. One of the most interesting features of the general debate had been the attention given to the problem of

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

world prices of raw materials and the concern expressed over their recent decline. Australia was directly concerned in the problem in two ways, both as a large primary producing country, 85 per cent of its exports being primary products; and also regionally on account of the importance of primary commodity prices to its neighbours in South and Southeast Asia. Easy solutions were not to be found but the Second Committee, because of its widely representative nature, seemed to provide a suitable forum for useful discussion of the problem.

3. After the outbreak of hostilities in Korea, the demand for raw materials had increased immensely and prices had risen sharply; but both demand and prices had later fallen rapidly and the balances of payments of the primary producing countries had moved into deficit as a result of their greatly reduced export earnings combined with heavy import orders placed by them at the height of the commodity boom.

4. In South and Southeast Asia the prices of staple export commodities such as rubber, tea, jute and tin had fallen rapidly. A decline of that kind naturally affected economic development. In fact, it was difficult to see how economic development plans could be prepared and implemented efficiently if a country could not count on a more or less stable national income and foreign exchange receipts.

5. Through its participation in the Colombo Plan, the Australian Government had been brought into close touch with the problems facing the under-developed

countries in that respect. At the Karachi Conference of the Commonwealth Consultative Committee in March 1952 it had learned that the improvement of terms of trade during 1950-1951 and in some cases during 1951-1952 had enabled the Colombo Plan countries to finance their development programmes out of their own resources. However, the substantial decrease in export receipts had deprived a number of countries in that area of foreign exchange resources far in excess of what they were receiving in external economic aid. The Commonwealth Consultative Committee had reckoned that, at existing prices, a 10 per cent fluctuation in the price of rubber meant a gain or loss of £50 million a year. It could be seen from that figure that arrangements providing stability and reasonable levels of rubber prices would be at least as important to the economic welfare and development of the area concerned as foreign aid. Arrangements were currently being considered by the International Rubber Study Group. The Australian Government, for its part, was ready to study the practicability of commodity agreements for other raw material exports of under-developed countries.

6. He did not, however, share the pessimism of some representatives regarding the probability of the deterioration of the terms of trade of the raw material supplying countries. It should be borne in mind, that, in general, price relations among different primary products could be as important as those between primary products and industrial products. Some under-developed countries were themselves importers of primary products. In the case of Southeast Asia, the problem of reduced export prices was aggravated by the high and rising price of rice. He drew the Committee's attention to paragraphs 42 to 49 of the report on *Measures for International Economic Stability* (E/2156) in which the experts emphasized the need for appropriate price relations. Paragraph 46 of the report stated that it would be wrong to think that the unfavourable trend of the prices of primary products relative to manufactures in the half-century ending in the 1930's led to any presumption that the trend in the next half-century would be in the same direction. Two favourable factors, which suggested the contrary, had been mentioned in the Committee. In the first place the report on United States raw material requirements suggested that there would be substantial dollar markets for raw materials for industrial purposes. The second factor had been mentioned by Mr. McDougall, the FAO representative, in his appraisal of the world food shortage (202nd meeting). The FAO had just published a review of the state of food and agriculture in 1952 which contained interesting figures on price trends showing that, generally speaking, wholesale prices of foodstuffs had remained steady during 1951-1952.

7. Turning to Mr. McDougall's remarks regarding Australia's position, he wished to assure FAO and the members of the Committee that his Government was fully conscious of the importance of its position as a producer and exporter of food products. It realized that Australia must do its utmost to increase its exports of foodstuffs, not only in the interests of its national economy but also in order to assist in supplying countries where food production was insufficient to meet the pressing needs of the population. The Australian Government had taken steps to achieve immediate and long-term increases in agricultural production. It had

given financial concessions to primary producers in the form of tax reductions. Wheat, for example, had been exempted from the export tax during the current year. Furthermore, the Australian Government was prepared to facilitate an advance of 12 shillings per bushel as a first payment on next year's wheat. A new method of tax assessment, designed to operate more equitably in cases where income fluctuated from year to year, had also been introduced. Lastly, the Government had adopted a five-year production plan which established targets for each branch of production based on the maximum capacity in existing economic circumstances. Details of the plans were contained in the FAO Food and Agricultural Review for 1952, which stated, *inter alia*, that agricultural production had been classified as equally important to Australia's economy as coal production and defence industries.

8. Turning to the United Nations programme of technical assistance he noted that considerable progress had been made since 1948. In four years the proposed expenditure had risen from 288,000 dollars to over 20 million dollars. The programme was proving successful and in the view of the Australian Government its continuance was not only justified but if the more developed countries were to fulfil the obligations they had assumed towards the under-developed countries, it was necessary to expand it further.

9. The programme had not gone ahead as quickly as was to be desired. By 31 August 1952, after 26 months of operation, expenditures in Australia had been about 70,000 dollars out of total contributions of 600,000 dollars.

10. There were various reasons why the Australian contribution had been used so slowly; distance, difficulty of communications, the federal structure of the State and the need to act in co-operation with the six State Governments. However, the Australian Government and the Technical Assistance Administration had now taken steps to remedy the situation. TAA had set up a liaison office in Australia, the first to be established in a contributing country.

11. Australia had offered to accept sixty United Nations fellowship holders during the current year as compared with nineteen in the first financial period. In addition, twenty-three Australian experts had so far been employed in the Expanded Programme of Technical Assistance and it was hoped to provide fifteen additional experts shortly. It was in supplies and equipment, however, that Australia hoped to make the greatest progress in the immediate future. The technical assistance representative in Australia hoped by the end of the year to be able to buy supplies to the value of 200,000 dollars. Those figures showed that both the Australian Government and the United Nations were doing their best to accelerate the implementation of the programme.

12. With regard to the question of the convertibility of contributions, he noted that the extent to which each Government would permit convertibility of its contribution was part and parcel of its response to the request for a contribution and would no doubt be considered in the Negotiating Committee on Contributions. The Australian delegation felt that in order to preserve the international character of the technical assistance programme, special efforts should be made to utilize

contributions in non-convertible currencies. Another means of preserving the international character of the programme was to make the widest possible use of experts of different nationalities.

13. In conclusion, he thanked the Secretariat for the working document (TAB/CM/314) submitted to the Committee on the subject of the technical assistance programme. It was helpful to have details of the 21 million dollars' expenditure estimated for 1952. That figure in itself did not, however, fully reflect the progress achieved. It was possible that too high a proportion of the contribution in convertible currency had been expended; it would be useful if the Secretariat could submit a second working document with a statement on the rate of spending of the different currencies and indicating the intentions of the Technical Assistance Administration in that respect.

14. Mr. GINOSSAR (Israel) said that the need for the economic development of the under-developed countries was recognized by all delegations. Such differences of opinion as existed related not so much to the methods of solving the problem as to the question of priorities. Some representatives emphasized chiefly the need for external financial and technical assistance while others laid stress on the importance of the resources of the under-developed countries and the efforts made by the peoples themselves to develop them. The argument was reminiscent of the old conundrum: which came first, the chicken or the egg? It was generally acknowledged that they were equally essential.

15. Although the problems of the under-developed countries were in some cases very different, they had many features in common. It might therefore be useful to describe the experience of Israel, where Jews had been working for decades on the advancement of an under-developed country. That experience could probably be put to good use by other countries, subject to certain changes.

16. The problem of land reform which in many countries, including the Middle East, had to be undertaken, in one form or another, in order to do away with the economic and social evils associated with a semi-feudal system of land tenure, had never arisen in that way in Israel. The Jewish immigrants had had to start afresh with their agriculture and had been able to adopt modern progressive methods from the very first. In 90 per cent of the villages of Israel, land which was owned collectively was being cultivated though held by farmers on long-term leases at low rents. Agricultural credit was provided chiefly by agencies, including credit-co-operatives, financed from public funds. Israel's experience showed that co-operative methods permitted better utilization of land, a high degree of mechanization and progressive adaption of new farmers to new conditions of work and modern techniques. Agriculture in Israel was in fact based on the co-operative movement. With a few exceptions, all the recent agricultural communities in Israel were organized on co-operative lines. There were three types of co-operative villages in which land, tools, labour and produce were pooled to varying degrees. Side by side with those agricultural co-operatives, there were examples of the elder type of agricultural community, the first of which had been established in 1911. There, everything belonged to the community as a whole, and all work, including domestic

work, was carried out jointly. The system, which was unique and represented the most advanced form of mutual aid, was particularly well-adapted to pioneer work.

17. The new immigrants thus had a choice between various types of co-operative or community enterprises. Experience in Israel showed that new immigrants preferred the type of co-operative in which the villages were divided into holdings of equal value cultivated by the members of the co-operative and their family, and in which all buying and selling was done on a co-operative basis. Machinery that was too expensive to be bought by individual members was also the collective property of the co-operative. That type of organization gave free play to individual initiative while preserving a considerable degree of mutual aid and permitting the use of machinery. The preference of new immigrants for the system might well provide the key to the problem present in other countries of finding the best means of adapting fairly backward peasants to new techniques and to mechanized agriculture. Israel's experience in that respect might be of assistance to other under-developed countries. A number of foreign missions had in fact come from such countries as India, the Philippines and Burma, to study the Israel co-operative system.

18. The organization of the Arab villages in Israel was much less advanced chiefly because of the different traditions of the Arabs. The Government of Israel and the Jewish Federation of Labour, however, were helping them to establish producers' and consumers' co-operatives. There were already 128 Arab co-operatives, of which 90 were agricultural. Thanks to that assistance, Arab farmers in Israel were rapidly improving their living conditions, and it was certain that a modern type of Arab village, which might be similar to the Jewish villages or of a quite different and original type, would gradually evolve.

19. Although Israel itself was not faced by any agrarian problem, the Government was following with interest the efforts which were being made to solve problems of that kind in other countries, including some of its immediate neighbours. It should be borne in mind that the redistribution of land was not enough in itself. Action must also be taken to ensure the most effective use of the land. Such action raised legislative, administrative and financial problems which it would be impossible to solve without making further use of the technical assistance offered by the United Nations and the specialized agencies.

20. In recent years the authorities in Israel had given continuous attention to the problem of increasing productivity. They had established a productivity council which was supported by the Association of Manufacturers and the Federation of Labour. The Council had launched a campaign for increased productivity in all fields. Tangible results had already been obtained. Thus, thanks to the advice of a United Nations consultant, labour productivity had been increased by 35 per cent in the Port of Haifa, without the need for additional reconstruction expenditure. But full success called for a long process of educating the *entrepreneurs* and labour.

21. In agriculture, the main problem was the utilization of arid lands. Important research had been under-

taken both in desert areas like the Negeb and the salt lands around the Dead Sea. Israel experts had made their contribution to the work of the UNESCO Advisory Committee for Arid Zone Research. An international conference on the utilization of desert areas, attended by experts from many countries, had been held in Jerusalem. An international exhibition on the same subject was to be opened in Jerusalem in 1953. In that connexion, he entirely shared the view of the representative of Egypt (197th meeting) that the problem of arid lands required the pooling of the research and efforts of all the countries concerned. He recalled resolution 416 E (XIV) of the Economic and Social Council, which stressed the importance of regional co-operation. On many occasions Israel had announced its readiness to co-operate with its neighbours on that matter. He regretted that their negative attitude had made it impossible to establish an economic commission for the Middle East. Their attitude was prejudicial to the interests of the region as a whole and contrary to the recommendations of the Economic and Social Council and the principles of the Charter.

22. The Government of Israel was very happy to have benefited from the technical assistance of the United Nations and the Government of the United States in the form of expert assistance, fellowship and scholarship awards and the provision of equipment. It had itself sent several groups to other countries, such as Haiti and Ceylon. With the help of the Technical Assistance Administration, the Israel Government had established a research centre on the building of houses of stabilized earth. The centre would be able to provide useful information to countries where that form of construction could be used.

23. From its own experience the Government of Israel was convinced that the resources available to the Technical Assistance Board were too small. His delegation would therefore support the recommendation in resolution 433 B (XIV) of the Economic and Social Council that 25 million dollars should be made available for the Expanded Programme of Technical Assistance in 1953. The Israel delegation hoped that the principle that governments receiving technical assistance should assume responsibility for a large proportion of the local expenditures connected with the programmes would not be too strictly applied. Some governments encountered considerable difficulties in that connexion. Similarly, he pointed out that the Technical Assistance Board had laid down the principle that the cost of equipment required for the execution of any programme should not exceed 25 per cent of the total cost of the programme. In his opinion, that ceiling should be applied, not to individual programmes—since some programmes needed more equipment than others—but to the whole body of requests for technical assistance presented by a particular government during the same year.

24. He agreed with the Technical Assistance Board which had decided to appoint resident representatives in the beneficiary countries. The co-operation afforded by the resident representative in Israel promised to be most helpful. Lastly, he urged that a reduction in the administrative expenditure on technical assistance should not be too hastily decided on. Since the activities of that administration were constantly increasing,

such a reduction would inevitably increase local expenditures, already a heavy burden on the beneficiary countries, and might jeopardize the execution of useful projects.

25. He also pointed out that, however great the efforts made by the under-developed countries to promote their own development and despite technical assistance, foreign capital assistance was obviously essential. In that connexion two projects were at present under consideration. There would be general satisfaction at the adoption of any measure considered likely to encourage or organize the flow of foreign capital into the under-developed countries. With regard to the proposed international finance corporation, he remarked that similar corporations had made an important contribution to the economic development of Israel. They had made possible the investment of private capital which would not otherwise have been risked in the undertakings concerned. At all events, the Israel delegation hoped that the statutes of the corporation would enable it to operate in all the countries which needed its services, whether or not they were members of the International Bank for Reconstruction and Development, or even of the United Nations itself.

26. In conclusion, he said that there might be some grounds for pessimism if one considered only the enormous discrepancy between the world's economic and social needs and the possibilities of immediate action. If, however, one remembered the state of mind of peoples and of governments before the First World War, when the motto had been "Every man for himself and the devil take the hindmost", and if one recalled also how the League of Nations had been a first step in building up a sense of international political solidarity, and if one considered the extent to which that sense of international political unity, as expressed in the United Nations Charter, was now rooted in the minds and hearts of great numbers of people in all countries, there was some justification for cautious optimism.

27. Mr. ABDELRAZEK (Egypt) said that his delegation had always advocated regional and international co-operation based upon the principle of the equality of peoples and their right to self-determination, but international co-operation presupposed sincerity and unity of interests. The Egyptian delegation had to recognize that the existing situation in the Near East was not calculated to encourage co-operation with a certain neighbour as long as the Palestine question had not been solved on the basis of justice and international law.

28. Mr. RUYGERS (Netherlands) said that he would confine himself for the time being to a few general remarks and would reserve the right to speak at greater length at the proper time on the questions of financing economic development and of technical assistance.

29. In the course of recent sessions, the Second Committee had seemed to be one of the organs of the General Assembly where valuable practical work might be accomplished. Those hopes, however, were hardly encouraged by the tendency of Committee members to make longer and longer speeches, often of a purely propaganda character, which made no contribution to the solution of the grave problems facing the United Nations. It must not be forgotten that public opinion

would judge the United Nations according to the quality rather than the quantity of what was said, and parliamentary history showed that the best way to settle problems was to approach them realistically and in businesslike fashion.

30. He had another observation to make on the general debate in which the Committee was engaged. It seemed that there was too often a tendency to treat the economic development of the under-developed countries as an isolated problem. It must, however, be remembered that there was an interdependence of economic problems as well as of the countries concerned. For example, the dollar shortage from which Europe was suffering was not only a major problem for Europe, but a drag on the help that Europe could render to the under-developed countries of other regions. The dollar problem, seemingly so distant from the question before the Committee, was in fact directly related to it. Notwithstanding the fact that the dollar gap was being steadily narrowed—from 8 to 2 thousand million dollars in recent years thanks largely to the Marshall Plan—it was still of great concern to the countries of Western Europe. One solution would be the lowering by the United States of some of its tariffs; negotiations on the subject had been continuing for some time and the European countries were beginning to become somewhat sceptical in that respect. Another possible solution which was being studied by the OEEC in Paris, would be a sizable increase in United States investments in Europe which would be of benefit not only to Europe but to the under-developed countries as well. Again, a large-scale plan recently mentioned by *The New York Times* would involve the establishment of a fund to promote at least partial convertibility between the dollar and the softer currencies of Europe; the plan would also contain provisions which might help considerably in solving the problem of raw materials.

31. He wondered whether the Committee might not usefully concern itself more than hitherto with such problems of economic interdependence. The Netherlands looked forward with interest to the publication, announced by the Secretary-General in his report, of studies dealing with trade relations between Latin America and Europe and between Europe and the ECAFE region.

32. There was also an interdependence between economic and social development. While in many cases the economic development of countries required a considerable capital outlay, in no case would it be possible without the creation of a suitable social climate, which in turn was dependent not only on economic factors but on all those other factors, material and moral, which influenced human existence. That was why the Government of the Netherlands had welcomed the repeated references in the Secretary-General's report to his decision to bring about closer co-operation between the Department of Economic Affairs and the Department of Social Affairs; that was a very important step forward. The more developed countries generally recognized the connexion between economic and social development and should therefore not forget the experience they had acquired in that field when they approached the problem of helping the under-developed countries. The target envisaged was not merely road-building or

the production of electricity but the improvement of the living conditions of the peoples concerned.

33. He emphasized that the Committee should try to make its deliberations as concrete as possible. Each delegation placed special importance on a particular aspect of the problem under discussion, each had its own conviction or its own ideology; some laid stress on industrial development, others on land reform; some on private enterprise, others on government control. It was for the Committee to examine the various problems in the light of their relative importance and to choose the solution which best fitted each particular case. The under-developed countries were entitled to expect effective economic assistance from the United Nations and not economic theory.

34. He noted that the considerable fluctuations in raw material markets after the outbreak of hostilities in Korea demonstrated very clearly that the conclusion of long-term commodity arrangements to neutralize repercussions from political or economic disturbances would contribute to the stabilization of the world economy. Such agreements would be of benefit not only to countries which essentially depended on raw material exports but also to the more developed countries which like the Netherlands must import all the raw materials they needed. The excellent report entitled *Measures for International Economic Stability* (E/2156) devoted a whole chapter to the problem. While the Netherlands delegation did not endorse all the findings of that report, it considered that the problem was one to which the Economic and Social Council might usefully give its attention.

35. The Netherlands delegation favoured, in principle, the Chilean draft resolution which encouraged regional co-operation in order to stimulate co-ordinated development of the region concerned (A/C.2/L.155). While certain general arrangements among nations did not seem for the moment to be attainable for various reasons, it was at least possible to promote international co-operation at the regional level as was shown by the experiment in Western Europe. Recalling a recent statement by the Netherlands Minister of Agriculture on the progress made under the Schuman Plan and the expected adoption of similar plans in the field of agriculture, he said that the Netherlands delegation would study the Chilean draft resolution in the same spirit. He expressed the hope, however, that the Chilean representative would agree that the international co-operation which his draft resolution sought to encourage must in no case lead to the disruption of normal economic relations with other regions of the world.

36. On the question of land reform the Netherlands delegation agreed with the majority of the Committee that it was a problem that merited the full attention of the United Nations, especially in so far as a solution would help to remedy the serious food shortage with which the world was faced as a result of the rapid increase of population. There was no one uniform situation in the agrarian field and the most effective decisions were those adopted with the specific circumstances of the region concerned in mind. The Netherlands, which was one of the most highly developed agricultural countries in the world and which had a great measure of experience in tropical agriculture,

was very much interested in the question and was prepared to offer its knowledge and experience to those of the under-developed countries which might wish to benefit from its assistance.

37. In conclusion, he pointed out that the Committee appeared to be in a more difficult position at the present session than at previous sessions. For lack of time the Economic and Social Council had had to defer to its next session consideration of a large number of economic problems. He did not think that the Committee would facilitate the work of the Council if it embarked on a broad discussion of the very same problems.

38. Mr. ARDALAN (Iran) noted with satisfaction that the United Nations recognized the great importance of the economic development of under-developed countries; only international co-operation could ensure that development. The Economic and Social Council had shown awareness of the fact that the organizations which now contributed at the international level towards improving the economic conditions of such countries were not equal to present needs. At recent sessions, the Council had therefore been seeking a better solution: it had proposed the creation of international lending agencies such as a special fund or an international finance corporation.

39. The delegation of Iran had been also gratified that, in recent years, Presidents of the Economic and Social Council had come from under-developed countries. By his bold suggestions, the representative of Chile, Mr. Santa Cruz, had made a useful contribution to the study of the problems before the Council. During the fourteenth session, the representative of Pakistan, Mr. Amjad Ali, had performed his duty admirably with a great deal of tact and intelligence. Finally, the representatives of under-developed countries had submitted many very useful observations and suggestions.

40. After having studied the economic conditions of the under-developed countries and analysed the measures taken by international bodies to improve those conditions, the Economic and Social Council had found that those measures had not yet had all the desired effect. The contrast between conditions in the industrialized countries and those in the under-developed countries had even been accentuated by the rise in population and the fall in productivity in the latter. Despite scientific progress, advances in productivity had not kept pace with population growth; in particular, it would be noted that food production per inhabitant was currently lower than before the war. Between 1948 and 1950, world population had increased by 13 per cent while food production had risen only 7 per cent. In 1950, food production per inhabitant had reached only 95 per cent of the 1948 level.

41. Because of economic difficulties, the decline in the price of farm products and the falling off of exports, the optimism which had existed in the under-developed countries until the end of 1951 had given way to pessimism. The dollar reserves of the industrial countries, the European countries in particular, had risen as a result of the expansion of their exports but the improvement had been short-lived. Despite financial assistance from the United States, those countries had not succeeded in regaining economic stability. In fact, the prosperity of the industrial countries could not be en-

sured until the rate of economic development of the under-developed countries was satisfactory.

42. He stressed the economic interdependence of various countries. In his opinion, world economic stability was dependent on the raising of the standard of living of the inhabitants of the under-developed countries; if their purchasing power was increased, the industrialized countries would have sure and stable markets.

43. Technical and financial assistance could undoubtedly help to improve the economic situation of the under-developed countries but the international agencies created for that purpose lacked the resources required to meet the great needs of those countries. The International Bank was one of the agencies best fitted to promote economic development and had certainly contributed to that end by granting loans. Nevertheless as the group of experts had stated in paragraph 264 of the report entitled *Measures for the Economic Development of Under-developed Countries* (E/1986), "in view of the need of the under-developed countries, for capital, the Bank cannot be said to be meeting the challenge of the circumstances".

44. During the financial year 1951-1952, the Bank had granted sixteen States loans totalling 298 million dollars. In five years it had granted twenty-seven States loans totalling 1,412 million dollars, an average of 280 million dollars annually. Two-thirds had been loaned to industrialized countries. According to the group of experts the Bank should have a better understanding of the role it could play in the economic development of the under-developed countries and over a five-year period should grant those countries loans at an average rate of one thousand million dollars a year.

45. The Iranian delegation also regretted that the Bank occasionally made the granting of loans subject to conditions outside the economic field. Thus, after sending several missions to Iran and after giving its agreement in principle to the execution of certain programmes, the Bank was to have granted the Government of Iran a loan of from 19 to 21 million dollars. It had refused to do so on the grounds that it must wait until the situation in Iran became less confused. In fact, the real basis for that decision was the nationalization of the oil industry by the Government.

46. At the fourteenth session of the Economic and Social Council, the representative of Iran had said¹ that never, or at least not until 1941, had Iran's economy been based on the income from petroleum. From 1931 to 1941, that revenue had been deposited in a special account in London and had not been used in any way for the economic development of the country.

47. He was more than satisfied with the assistance which the United Nations and a number of specialized agencies had given Iran. He paid tribute to the mission which had recently gone to Iran under the leadership of Mr. Gutt, the former Managing Director of the International Monetary Fund.

48. On the recommendation of a group of experts, the Economic and Social Council had considered the establishment of an international finance corporation and the creation of a special fund. According to the

¹ See *Official Records of the Economic and Social Council, Fourteenth Session, 606th meeting.*

International Bank, those bodies would facilitate capital investments in programmes the execution of which was being delayed for financial reasons.

49. Some countries seemed to fear the restrictions which would be imposed on private capital invested in the under-developed countries. Those fears were groundless. In fact, in the under-developed countries of the Near East, private capital had so far been invested in only one sector of the economy, the oil industry. If the industrialized countries did not seek a privileged position or wish to retain in their own hands the possession and exploitation of certain resources, thus exercising a decisive influence on the economic or political life of the under-developed country concerned, and if they wished to invest their capital in a co-operative spirit, they would receive all the desired safeguards.

50. The representative of Sweden had referred (196th meeting) to an article in *The New York Times* which had stated that the question of investments would in future be more political than economic in character. The expropriation of foreign interests in Iran and in certain Latin-American countries was said to have created apprehensions in the minds of some capitalists which it would be difficult to dispel. In Iran the problem had assumed a political character only because of the continual interventions of a Government seeking to protect the interests of a foreign company the property of which had been nationalized by the Iranian Government.

51. The Iranian delegation considered that the establishment of an international credit agency would stimulate capital investments and make it possible to create a favourable climate for the economic development of the under-developed countries. Investors would obtain all the guarantees they required from that agency and the under-developed countries would no longer fear that foreign capitalists would one day control their economic activities. Nevertheless, while encouraging private capital investment, that agency could not meet all the needs of the under-developed countries. It would therefore be essential to create a special fund to finance non-self-liquidating projects. The Economic and Social Council in resolution 416 A (XIV) had instructed a committee to prepare a detailed plan in that connexion.

52. Technical assistance applied to a very limited field only; to be useful it required financial assistance and a climate favourable to private capital investment. It was often said that the under-developed countries could create such a climate by themselves preparing programmes of economic development, by developing their natural resources, distributing their national income equitably through the application of an income tax, carrying out land reform to ensure fair distribution of the land and promoting educational development and public health improvements. They would thus help to raise the standard of living of their population.

53. The Iranian Government fully approved the principle that the primary responsibility for economic development rested with the countries concerned. From 1930 to 1940 it had undertaken far-reaching projects in the construction of roads, railways and factories without having to resort to the revenue from the sale of oil for those purposes. After the Second World War, foreign experts had prepared on behalf of the Iranian

Government, at a cost of almost one million dollars a vast programme of economic and social development. The programme was to have been carried out in seven years. Because of the decline in exports and the deterioration of the financial situation, the Iranian Government had proposed to use revenue from petroleum for the purpose of carrying out the programme. The former Anglo-Iranian Oil Company had, however, refused to pay Iran the royalties it owed under the 1933 Agreement.

54. The Company had owed Iran 49 million pounds. The Iranian Government had insisted that that sum should be paid before negotiations regarding the compensation to be paid to the Company were opened. The United Kingdom Government had approved the unjustifiable attitude of the former Anglo-Iranian Company. Instead of strengthening the ties of friendship between Iran and the United Kingdom, it had followed a policy which could produce nothing but a violent reaction. The people of Iran had demanded the nationalization of the oil industry. The Government had decided on nationalization in order to solve the country's economic difficulties and to improve the living conditions of the people. The former Anglo-Iranian Company had in fact never taken into account the fundamental rights of the population of Iran. The taxes it had paid to the United Kingdom Government were many times greater than the royalties paid to the Iranian Government.

55. By nationalizing the oil industry, the Iranian Government had sought to eliminate all foreign influence. The domination of the former Anglo-Iranian Company had been so great that the Iranian Government had been unable freely to direct the internal and external affairs of the nation. Instead of satisfying the legitimate desires of the Iranian people, the United Kingdom Government had intervened directly and had submitted the matter to the Security Council and to the International Court of Justice, claiming that the Iranian Government had not respected the principles of international law. The Security Council had suspended consideration of the question pending the Court's decision. In its judgment the Court had declared itself incompetent in the matter and had considered that the contract between the Iranian Government and the Anglo-Iranian Oil Company was not an international instrument as such.

56. After the Court had rendered its judgment, the Iranian Government had indicated that it was prepared to negotiate with the former Company on the question of compensation. According to the nationalization law, 25 per cent of the income from the sale of oil was to be deposited in a bank as a guarantee of compensation. The Government had proposed that the amount of the compensation should be assessed in proportion to the holdings of the former Company and that compensation should be paid in accordance with the methods employed by other countries in cases of nationalization. Finally, the Iranian Government had stated its willingness to submit the matter to the International Court of Justice.

57. Contrary to all the rules of international law, the United Kingdom Government had adopted a series of measures designed to prevent Iran from selling its oil and oil products on the international market. It had

thus paralysed the Iranian oil industry and aggravated the economic condition of the country. It would appear that although the great Powers recommended that the under-developed countries should use their own resources for the development of their economies those recommendations were valid only to the extent that any action taken did not impair the privileged position of certain great Powers.

58. The Iranian people were now faced with a great many difficulties; the execution of its economic development plans had been slowed down and in some cases even halted. Nevertheless, it would not shrink from any sacrifices. It would not submit to force or injustice.

59. He called the Committee's attention to the rise of nationalism which marked the modern world. What was involved was a legitimate effort to achieve economic and political emancipation. Satisfaction of the legitimate claims of nations which had recently achieved political

independence or were struggling to obtain economic independence, would contribute to the improvement of the living conditions of the people everywhere and to the maintenance of peace.

60. The nations which thus gave expression to their nationalism had no intention of weakening their friendly relations with more developed Powers. Nevertheless, they wished to base those relations on mutual respect and on the principles of the Charter. Many more developed countries misjudged the scope and the true significance of that development. If they considered the problem more closely, they would realize that the under-developed countries sought international co-operation which would enable them to improve their conditions of life. That was the only method of preventing world chaos.

The meeting rose at 12.55 p.m.