

# GENERAL ASSEMBLY

## SEVENTH SESSION

## Official Records



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Chairman: Mr. Jiří NOSEK (Czechoslovakia).

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

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

[Item 25]\*

1. Mr. PERRY (New Zealand) recalled that the debates on the Uruguayan draft resolution, before its revision, had produced two contradictory results: there had been virtual unanimity on the right of a sovereign State to nationalize resources within its borders, but complete divergence of views on the question whether the United Nations should affirm that right. The measure of agreement reached was easy to state, for the right to nationalize resources was an undeniable attribute of sovereignty comparable with the right to impose taxes or legislate for law and order. No doubt all representatives could quote examples from their own countries of resources, industries or utilities nationalized without prior international sanction.

2. It had been asked, however, on the one hand, why there should be any objection to reaffirming an undeniable right, and on the other, why the Assembly should affirm so widely recognized a right. The disagreement which soon became evident in the Committee as to the best course to follow arose from the fact that the right in question was a national one and from the recognition that if it was to be asserted internationally, account must be taken of the whole series of economic, political and legal considerations. It would involve passing judgment not only on national policies but also on the whole question of economic relations between States.

3. The revised text (A/C.2/L.165/Rev.1) at least had the merit of directly raising, though not answering, those wider issues. The New Zealand delegation hoped that, before taking any action, the Committee would scrutinize its terms most carefully and take full account of its implications and possible repercussions.

The Committee had recently taken decisions on technical assistance, financial aid, land reform and other matters, all of which had one common feature, namely, that they dealt with practical measures for promoting economic development. The New Zealand delegation believed that that practical emphasis should be maintained and that the Uruguayan revised draft resolution did not meet the test of practicality.

4. Whatever its true purpose, the resolution would inevitably be taken as implying that reservations were being made on the establishment of conditions necessary to promote the flow of investment capital; it proposed recommendations which could only be interpreted as casting aspersions on States whose generosity was in actual fact the mainstay of international economic programmes.

5. He understood the Uruguayan representative to have stated that international recognition of the right of nationalization would assist national programmes of economic development. No doubt his argument still stood although the word "nationalization" was no longer mentioned in the revised version of the resolution. The New Zealand delegation, however, saw no reason to cast doubt on the ability of sovereign States to decide whether nationalization of particular industries or resources would be to their advantage. The revised text clearly went beyond the somewhat barren affirmation of common agreement on the sovereign right of countries in that respect. Its words could be interpreted in several ways and for that reason alone it was open to objection. It suggested that States should respect the rights of others and refrain from using certain types of pressure. If those words related to the past, the New Zealand delegation dissociated itself from the inference they carried; if they were intended as a guide for the future, they were inadequate. By implying that certain States would fail to respect the rights of others unless restrained by international sanction, the draft resolution did not assist the endeavours of the United Nations to finance economic development.

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

6. It also implied that nationalization was an indispensable feature of progress in under-developed countries; the New Zealand delegation hoped that the United Nations would refrain from usurping national rights by making an assertion of that kind.

7. Of course it was true that nothing should be done to jeopardize mutual understanding and economic co-operation, but the draft resolution, which was plainly directed at certain States, seemed to him a rather peculiar manifestation of understanding and co-operation. It failed to recognize the interests of those who had contributed capital or technical skills or to suggest that any recognition would be granted to the interests of those who were so repeatedly requested, in General Assembly resolutions, to assist and finance economic development.

8. The New Zealand delegation considered that the draft resolution would not assist in promoting economic development and would in fact be detrimental to the success of measures of international co-operation which the Second Committee had been discussing. His delegation was, of course, ready to examine any amendments which might be introduced, but since it failed to see how adoption of the draft resolution could yield any fruitful results, it was unable to support it.

9. Mr. BUNGE (Argentina) considered that the Uruguayan representative's initiative in bringing forward a matter of such vital importance to the contemporary world, was well-timed. To avoid making pronouncements on such problems was not always the best course. The Uruguayan and Bolivian representatives were to be congratulated on the revised version of the draft resolution, which retained the spirit of the original and was constructive and comprehensive in scope.

10. A State's right to exploit its national resources was not open to question, but in practice it was not enough to state a right; countries must be able to exercise their rights. Moreover, one right might conflict with another and, therefore, the sphere of each must be defined. Further, the right of a country freely to exploit its natural wealth and resources was not merely a right but an obligation which must be performed in order to achieve the maximum welfare of the people. It was part of any programme of economic development and to ignore or deny it hampered progress. It was true that the right was not unrestricted: there were certain limits, both at the national and the international level. The rights of States were limited by the people through their national constitutions. Moreover, different States necessarily had different methods of achieving progress.

11. There had been considerable divergence in the criticisms levied against the draft resolution. Nations which attributed particular importance to private enterprise feared that government interference might destroy what had proved to be a useful system for achieving most of their economic, cultural and social aims. It had also been argued that adoption of the draft resolution might prejudice the encouragement of a favourable climate for investment or prevent the mobilization of national wealth.

12. Countries which still maintained the system of private enterprise did so because they found it best;

but all States had adopted some measure of nationalization. Administrative systems naturally varied, as did the degree to which the State intervened in national life. In many countries the State was now filling gaps in the management of domestic affairs which private enterprise had failed to fill.

13. In referring to the different basic aspects of government administration, his intention had been to stress the right of States freely to use and exploit their natural wealth. Power to exercise that right was necessary in order to create an atmosphere of confidence and trust. Countries dominated by large enterprises which undermined the power of the government, or countries impoverished by foreign monopolies, did not provide a climate favourable to foreign investment. The Bolivian representative's statement at the previous meeting had been a valuable contribution to the debate in that connexion.

14. Moreover, the State was a dynamic entity and its ideas were constantly evolving. The individualistic concepts of the nineteenth century had given way to theories which laid greater stress on the common interest. Under the Argentine Constitution, social justice and the common good must be the criteria. His delegation did not believe that the revised draft resolution would create an atmosphere unfavourable to the encouragement of private investment. Countries were likely to support the principle of foreign private investment if the foreign undertakings conformed to the national laws of the country in which they invested. He fully supported the remarks of the representative of Costa Rica concerning certain undesirable types of investment (215th meeting).

15. It should be remembered that a country's right freely to exploit its natural wealth and resources had not always been recognized. The principle of non-intervention had had to be fought for at the international level. As the Latin-American countries knew, even a government's right to collect taxes had not always been respected. The principle of non-intervention had been reaffirmed by the Latin-American countries at the Montevideo Conference in 1933.

16. Conflict arose when the elementary principles of international harmony were disregarded, as for instance, when pressure was exercised in favour of foreign interests. International understanding was jeopardized when a foreign Power placed itself behind private investors in order to secure undue privileges for them in the countries in which they were investing. Investors in under-developed countries must assume the risks and disadvantages encountered in the country of investment. Above all, the exercise of coercion or pressure by foreign interests in any form was illegitimate.

17. The Argentine delegation warmly supported the revised draft resolution as a means of solving the problem in question and because it took due account of the demands of countries in the process of economic development.

18. Mr. IMRU (Ethiopia) said the revised version of the draft resolution was a great improvement on the original and he thanked the sponsors for the effort they had made to remove some of the controversial elements.

19. The outcome of the Committee's deliberations would not in any way affect a government's inherent right to utilize and exploit its natural resources, or to enact laws to shape its economy in accordance with the needs of the time and its national interests. Nationalization was one way of exploiting resources. The Committee was not, however, discussing the merits of nationalization but the right of peoples to utilize their own natural resources. No one disputed that right and some might doubt whether it was necessary for the General Assembly to reaffirm it, since such a reaffirmation might even cast doubt on it.

20. It was a government's right, when necessary, to delimit the public and private sectors of the economy and to promulgate laws to regulate them. A government's right to nationalize undertakings could not be disputed. But, if a government exercised that right it must also assume responsibility for the consequences of its policy, such as the payment of compensation.

21. The operative part of the revised draft resolution raised a significant question which deserved serious consideration: the question of disputes which might arise when the policy undertaken by one country affected the interests of nationals of other countries, or when a foreign Power exerted undue pressure on the economy of an under-developed country. The recommendation in paragraph 4 merited the Committee's support, since it aimed at creating an atmosphere of respect between nations and paid due attention to the right of self-determination laid down in the Charter.

22. If his delegation thought that the draft resolution would discourage private foreign investors, it would not support it. He was convinced, however, that foreigners who had invested in Ethiopia were acquainted with the concepts embodied in his country's laws and the policy pursued by his Government. A negative attitude would not attract foreign capital. He had already described to the Committee the measures which had been taken by his Government to attract foreign investors, and those measures were more indicative of his Government's policy than the stand it might take on the draft resolution. If, however, an amendment could be devised which would allay the fears already expressed that the flow of foreign capital might be reduced, his delegation would consider it favourably. Since the draft resolution was inadequate in that it did not deal with such obligations as the payment of proper compensation, it might be preferable to postpone the subject and discuss it further at the next session of the Assembly.

23. Mr. CHENG (China) said his delegation had given the draft resolution the careful consideration it deserved. He fully agreed that all Member States must respect the right of others to nationalize and exploit their natural wealth if they so chose. He would even extend that principle to cover essential industries as well as natural resources.

24. During the last century, his Government had been forced to accept foreign investments to develop its resources, even to invite them. Despite its dissatisfaction with the former type of exploitation, it had strictly adhered to its obligations with regard to the servicing of foreign loans. Although it might not have greatly welcomed foreign business, it had placed no obstacles in its way.

25. The right of each State to exploit its own resources as it pleased had never been disputed and he was not sure whether an international pronouncement could add anything to or detract from that generally recognized principle. To say that a government had the right to nationalize its resources was not, however, the same as saying that it was necessarily wise or advantageous for it to nationalize everything. Most governments had nationalized postal services, mines, railways and public utilities, some had nationalized essential industries such as steel and coal, and others had gone even further. The exact point at which the line should be drawn depended on many different factors and no single rule could apply to all countries. Moreover, where nationalization had been imposed on existing foreign enterprises, the matter had been still further complicated by contractual obligations, the payment of compensation, and even the question of national prestige.

26. At the present stage in its economic development, his country had deliberately chosen nationalization. The private capital available was not sufficient for investment in public utilities, heavy industries, transport and telecommunications. His Government believed that the country's resources should be exploited for the benefit of the greatest possible number, but it realized that there were some fields in which private enterprise was best. His Government had been fortunate in that it had had no existing foreign enterprises to cope with in Taiwan. How far it should go, however, in nationalizing domestic industries was an interesting question. In addition to minerals and communications, his Government owned and operated nearly all the power, fertilizer, petroleum-refining and sugar-extracting industries, 70 per cent of the textile industry and a substantial percentage of the cement, paper and chemical industries. Its action was based on the theory that industries should be operated for the good of the whole community and not for the benefit of a few, and in his country, where technicians were scarce, governmental operation made possible a certain economy in manpower. Some of the country's light industries were now being denationalized but how far the government ought to go in that direction was a question to which experience alone could bring an answer.

27. In the revised draft resolution the word "nationalization" had been omitted, but it was obvious that the principle was involved. There was no reason why a State should apply pressure unless its interests had been harmed by the nationalization of certain undertakings by another country. Nationalization as an economic instrument was a very complex subject and a United Nations resolution could not possibly cover all its aspects satisfactorily. He therefore felt that the draft resolution deserved more study than could be given it at that session. The expression "direct or indirect pressure" was, for example, much too vague. A hasty decision on the problem would be neither wise or useful.

28. Mr. BAUER PAIZ (Guatemala) said that, although the Uruguayan draft resolution (A/C.2/L.165 and Corr.1-3) and the Bolivian amendment (A/C.2/L.166) referred to the economic development of under-developed countries, several delegations had op-

posed them, on the ground that they had a political in addition to an economic objective. Among the more frequent arguments adduced was the assertion that the right of every State to nationalize and to exploit its natural resources freely was inherent in its sovereignty and that it was not fitting for the United Nations to affirm that principle in the context of economic independence and development. It was maintained that a declaration of principle would nullify the effect of other resolutions recognizing the importance of private capital in economic development and that it would discourage private investors. It was also asserted that it was destructive of international co-operation to encourage a spirit of nationalism, particularly when the peoples of the world were becoming more conscious than ever of their interrelationship in society. It was even claimed that the adoption of the draft resolution would weaken the principle of self-determination by imposing on countries an expropriation policy which they might not wish to adopt.

29. With regard to the first argument, it was worth while to analyse the methods of financing on which the under-developed countries counted for their economic and social development. The Committee had dealt with the subject briefly in discussing document A/C.2/L.170 and had appreciated the difficulty of securing international public capital for the development of under-developed countries. The establishment of the international finance corporation and the special fund would take a considerable time, and several years would pass before they could afford the financial assistance expected of them. The Committee also knew that the flow of private capital was insufficient, and it was for that reason that it had approved the second operative paragraph of part C of the resolution contained in document A/C.2/L.170.

30. Since the under-developed countries would for a long time lack domestic and foreign private capital and national or international public capital, he did not see why they should be prevented from seeking other solutions which did not depreciate the value of financial assistance. It was unfortunately a fact that, in many countries, private capital had not contributed effectively to economic and social development and had frequently been a means of exploiting and impoverishing them and of enriching privileged minorities; in some cases it had even led to the exhaustion of their natural resources, to an outflow of foreign currency and to intervention in domestic affairs. Lastly, it had become a selfish and all-powerful force which had disrupted the economy of the countries in which it was invested.

31. He was not implying that all investment was of that nature. He fully appreciated the advantages of private capital when it was invested in accordance with the minimum conditions demanded by the law and with due respect for the peoples concerned. A clear distinction must be made between private or public capital which harmed the countries in which it was invested and capital which was invested to their advantage. Countries which were being economically exploited by monied interests should seek suitable remedies, including nationalization. That view had surely been appreciated by the Committee when it had accepted the Guatemalan amendment (A/C.2/L.172) to the working group's draft resolution (A/C.2/L.

170). The converse to the suggestion in the Guatemalan amendment was also true: namely that private capital which did not contribute to the integrated economic structure and to the economic and social advancement of under-developed countries was undesirable.

32. With regard to the assertion that it was undesirable to arouse nationalistic feelings or to infringe on the principle of self-determination, the supporters of the Uruguayan draft resolution had no intention of encouraging chauvinism or of imposing upon States methods which they considered unsuitable. But, in accordance with the principle of self-determination, States which considered it expedient and necessary, ought to be allowed to take appropriate action to exploit their natural resources freely.

33. He fully supported the revised draft resolution as it contained a happy solution and placed the problem appropriately in an economic context. Formerly contentious terms such as "nationalism" had been deleted. The recommendation in paragraph 4 was based on a very important principle which could serve as a guide to the under-developed countries in expediting their economic and social development and in exploiting their natural resources, free from external pressure, as a contribution to international economic co-operation and well-being.

34. Mr. KATZ-SUCHY (Poland) said that during the discussion on the Argentine draft resolution (A/C.2/L.162 and Corr.1 & 2 and Rev.1) he had pointed out the growing tendency for under-developed countries to claim recognition of their rights and of their proper place in the world economy. The present debate was another testimony to the increasing trend towards independence in the economic field and even if that discussion were to be the only result of the revised draft resolution submitted by Bolivia and Uruguay, it would have been of service.

35. His delegation noted that many aspects of the original draft resolution had been lost in the revised version. Several points on which debate had centered had disappeared and the resolution had become merely an affirmation of already recognized principles. Since the revised draft contained general principles related to economic development which his delegation had always supported, it would vote for it, despite its shortcomings and imperfections.

36. The Chilean representative had tried to present the actions of certain delegations, for example, those of Poland and the USSR, as a diabolic attempt to divide the world and to divert the discussion from real problems to political propaganda. The most cursory study of the actions of the delegations of the USSR and the People's Democracies showed that they had never failed to embark on any endeavour to promote real economic collaboration, and the discussion of many problems—including that of the world economic situation—had been due to their initiative. Moreover, the principles of general economic development adopted by the Economic and Social Council had been greatly improved by several amendments introduced by those delegations which were accused of sinister and ulterior motives.

37. A study of his country's economic relations would show how strongly it supported economic collaboration

in world trade. It would also show where the source of difficulties lay. A policy of discrimination in foreign trade was being imposed, even in the case of the Chilean copper agreement, by the United States which was encouraging economic warfare and assisting the exploiters and profiteers to harm the economies of under-developed countries.

38. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that his delegation would support the revised draft resolution.

39. Mr. TAYLOR (Canada) stated that he could not support the revised draft resolution despite the ingenuity of the redrafting and the eloquence of its adherents.

40. The new text appeared to assume the necessity of centralized government planning of economic affairs, which might be desirable in some countries for some sectors of their economy at some stages of development, but which was a matter for each country to decide. He could not agree to the transformation of a particular device into a universal principle; neither private nor public ownership was a principle of eternal or universal validity.

41. In Canada there was a considerable amount of government ownership and control, for example, in the railway, electricity, telephone, broadcasting and television systems. Some Canadian provinces owned and operated cold storage warehouses and fish-freezing plants. But those sectors of the economy had become public not by the application of a general principle, but because government ownership to that degree had seemed to be the sensible and efficient way of providing certain services. The variability of Canada's experience as between provinces and regions did not allow it to presume to tell other countries how they should

manage their economic affairs. Although strongly biased in favour of private ownership and enterprise, Canada had never hesitated to embark on a policy of government ownership when that course seemed expedient.

42. There were times when the Committee did its best work by debating broad issues and exchanging views and experience; the usefulness of such discussions was sometimes impeded by attempts to make particular resolutions universally applicable. The Committee might well consider the advantages of discussing proposals in general terms without adopting specific resolutions; such discussions were most useful in developing and clarifying public opinion without increasing disagreement.

43. In regard to the operative part of the revised draft, while agreeing that certain measures of government ownership and control might be desirable under certain circumstances in some countries, he could not subscribe to the assertion that government exploitation of natural wealth and resources was an indispensable factor in progress and economic development. Again, he failed to understand the meaning of the injunction "to refrain from the use of any direct or indirect pressure . . ." Surely one of the primary functions of an embassy or consulate was to promote and protect the interests of the countries which it represented; a large part of normal diplomatic activity consisted in making representations and in negotiating settlements. Argument, negotiation and bargaining were accepted methods of solving international disagreements.

44. For those reasons, in addition to those which his delegation had adduced at the 232nd meeting, he would be unable to support the revised draft resolution.

The meeting rose at 12.25 p.m.