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CONTENTS

	Page
<i>Agenda items 12, 29 and 74:</i>	
<i>Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (continued)</i>	
<i>Economic development of under-developed countries (continued):</i>	
(a) <i>International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council;</i>	
(b) <i>Question of the establishment of a United Nations capital development fund: report of the Secretary-General;</i>	
(c) <i>Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council;</i>	
(d) <i>Promotion of wider trade co-operation among States: report of the Secretary-General</i>	
<i>Land reform (continued)</i>	
<i>General discussion (continued)</i>	105

Chairman: Mr. Janez STANOVNIK (Yugoslavia).

AGENDA ITEMS 12, 29 AND 74

Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (A/4415) (continued)

Economic development of under-developed countries (continued):

- (a) International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);
- (b) Question of the establishment of a United Nations capital development fund: report of the Secretary-General (A/4488, E/3393, E/3393/Add.1-4);
- (c) Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council (A/4489, E/3379, E/3379/Add.1-6);
- (d) Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)

Land reform (A/4439) (continued)

GENERAL DISCUSSION (continued)

1. Mr. CHENG Paonan (China), indicating that he would deal more particularly with economic develop-

ment and land reform, said that the former gave rise, *inter alia*, to problems of trade, assistance and capital formation.

2. Where trade was concerned, many under-developed countries had become exporters of manufactured goods but, on the whole, they were still mainly exporting primary commodities. The market for such commodities—for example, cocoa, coffee, sugar, petroleum, zinc, tin and copper—was now characterized by over-supply, and the international arrangements required to deal with that problem had proved effective in some cases. For instance, in conformity with the International Sugar Agreement, the Government of the Republic of China had regulated its sugar output to the level of its export quota. It had succeeded in making the adjustment because it had been able to cultivate rice on land previously devoted to the cultivation of sugar cane. But it was not always easy to adjust output to demand and when a country wished to maintain prices but could not curtail output, an accumulation of stocks resulted. Surplus stocks placed a heavy financial burden on the State and various proposals had been made for their liquidation, three of which should be mentioned—the Freedom from Hunger Campaign, the establishment of emergency food reserves, and the formation of reserves for the stabilization of prices. The Chinese delegation supported those three proposals. The third, however, called for some comment: according to that proposal, excessive price fluctuations would be reduced by buying primary commodities during periods of over-supply and low prices, and selling them when there was a scarcity and prices were high. But such reserves could not be built up at a time when commodities were in over-supply, as was the case at present with many primary commodities; the need then was for cash to buy the commodities and so prop up prices. But it was practically impossible to raise the money required for the purpose, which would amount to several thousand millions of dollars. The only solution therefore was to retain surplus stocks until leaner times; they would then be sold for cash and the cash would be used for buying surplus commodities when more affluent times returned. In other words, unless the necessary funds could be raised, stabilization reserves could be built up only during a period of scarcity.

3. In addition to the short-term problem of over-supply, certain long-term factors had the effect of reducing the demand for foodstuffs and primary commodities: the development of synthetic products, the increasingly economical use of raw materials and the trend towards economic self-sufficiency in importing countries. There was no way of counteracting those factors; efforts must, therefore, be made to find new uses for the products concerned, to adjust production to demand, and to switch the means of production into other more promising sectors.

4. Cyclical factors resulting from business fluctuations in industrial countries also affected commodity trade. It was the function of IMF to mitigate the impact of economic recessions on the under-developed countries. More help should, however, be given to those countries in times of recession; they would thereby be enabled to increase their exports, with beneficial results not only for themselves but for other countries also. To that end, arrangements might perhaps be worked out under which foreign aid might be increased in times of crisis, without any additional cost to the contributing countries.

5. In general, assistance to under-developed countries took the form of grants-in-aid, loans or direct investments. It could be classified under multilateral aid, bilateral aid and private investments. According to United Nations documents, exports of private capital had reached the figure of \$5,300 million in 1958, of which about \$2,000 million had gone to under-developed countries. Aid furnished to those countries on a bilateral basis had totalled \$2,540 million in 1958, a figure which should be increased by \$400 million to cover the aid provided by countries of the Soviet group. Multilateral aid, which had come mainly from the United Nations in the form of technical assistance and from the specialized agencies, had totalled \$400 million in 1958. Thus, in 1958, the under-developed countries had received a total of \$5,340 million in aid. Bilateral aid from free world countries had accounted for 47.5 per cent of that sum, private investments for 37.5 per cent, United Nations aid for 7.5 per cent, and aid from the Soviet group of countries also for 7.5 per cent. Those statistics showed that the industrial countries of the free world, having surmounted the difficulties due to the war, were now in a position actively to aid the developing countries. Where bilateral aid was concerned, care must, however, be taken to ensure that certain countries did not receive preferential treatment at the expense of other countries whose needs were more urgent. As had been seen, the total of private investment was not appreciably lower than that of bilateral aid. It was for the under-developed countries to decide whether or not they wished to attract foreign capital; but if so, they must give investors reasonable security and every opportunity to earn a profit. As for the bilateral aid furnished by the Soviet group of nations, the small sum which such aid represented hardly warranted their claim to be the champions of the under-developed countries. Lastly, multilateral aid was still in its early stages, but the increase in the capital of IBRD, the establishment of the International Development Association and the expected increase in contributions to the Expanded Programme of Technical Assistance and to the Special Fund would undoubtedly improve the situation.

6. The United Nations and the specialized agencies had made a detailed study of the statistical and theoretical aspects of capital formation. He would therefore limit himself to drawing the attention of representatives to the Investment Encouragement Act recently promulgated by the Government of the Republic of China. That Act was particularly interesting as its object was to encourage capital formation by means of fiscal measures only. It granted tax exemptions at all stages of production. Interest on savings was free of income-tax. Individuals who used their savings to purchase newly issued stocks and bonds were entitled to a corresponding deduction from their taxable incomes. Retained corporate earnings which were being

reinvested were also exempt from the corporation tax. Other measures were aimed at facilitating capital transactions: the stamp duty and the transfer tax on stock-exchange transactions had been abolished and capital gains on securities held for more than two years were not treated as income for taxation purposes. Stamp duties on credit instruments had either been abolished or reduced. Import duties on machinery purchased on credit had been decreased; enterprises had the right periodically to revalue their assets in relation to the price index. The reason for that measure was that when prices were unstable, the book values of assets were generally below their real values; the under-valuation of assets had two disadvantages: depreciation calculated on the basis of book values was too low and the net worth of a business was under-stated. Profits on production also enjoyed favourable tax treatment. As already indicated, profits reinvested by companies were exempt from the corporation tax. The latter had also been reduced to a maximum rate of 18 per cent. Furthermore, the special arrangements for new undertakings had been extended from three to five years, and industrial and commercial enterprises were authorized to set aside special reserves for debts incurred in foreign currencies; they were thus protected against losses arising from fluctuations in the rate of exchange. He hoped that the information he had given would be useful to countries which were contemplating action along similar lines.

7. Land reform had been the subject of many resolutions of the General Assembly. Peasants all over the world were eager for land reform, which could, however, be a boon or a disaster, depending on how it was understood. After the Second World War, most countries of the Far East had carried out land reform, but two very different systems had been applied. In mainland China, the Chinese Communists had carried it out in three stages. First, they had distributed land to the peasants; then they had organized them into co-operation; finally, they had converted the co-operatives into "people's communes". Their aim in distributing land to the farmers had been not to create peasant ownership, but to stir up social hatred for political purposes, the land having been distributed at the expense of millions of existing landowners. Thus, the beneficiaries became identified by force of circumstance with the communist régime. But in 1955 the peasants had been organized into so-called "elementary" co-operatives within which they retained nominal ownership of their land. Subsequently, those co-operatives had been consolidated into "high-grade" co-operatives; each consisted of about 250 farm households, and private ownership of land, cattle and agricultural implements had been abolished. In actual fact, they were no longer co-operatives, but collective farms. Finally, in 1958, the co-operatives had been replaced by "people's communes". A "commune" was at one and the same time a form of social organization and a forced labour camp. Families were broken up, with husbands and wives living in separate public dormitories and the children being brought up by the commune. The working day was from 14 to 17 hours and there were 28 or 29 working days a month. Workers were entitled to three meals a day and a monthly wage equivalent to between 85 cents and \$2.50. That sum, moreover, was often frozen in a bank account.

8. As the President of the Philippines had said, the commune was the worst degradation imposed on a people in modern history. In contrast, the free nations of

the Far East had carried out a very different type of land reform. In Taiwan, for example, the Government of the Republic of China had been guided by the following principles: first, it had sought to establish peasant ownership, that is, it had given the land to those who tilled it. Since the reform had become effective, peasant ownership had risen from 57 to 80 per cent, and the Government was helping the last remaining farmers to become landowners. Secondly, the reform had been carried out in a spirit of social solidarity. The former landowners had, admittedly, had to give up their land, but their interests had been protected, for they had been entitled to retain enough land for their normal needs and they had received adequate compensation in the stocks of State-owned industrial corporations and in ten-year bonds. Those bonds were redeemable in kind to avoid any loss due to inflation. The results of land reform had been very satisfactory in all the free countries of the Far East and might be of interest to those countries wishing to study the question; the Government of the Republic of China would be glad to make its experience available to them.

9. Mr. VIAUD (France) welcomed the representatives of the new Member States, whose presence would enable the Committee to broaden its field of vision and who would make a valuable contribution to its work. They would also be associated with the activities of the Economic and Social Council and its specialized bodies. Those belonging to the African continent would be full members of the Economic Commission for Africa; as a result the scope of the Commission's work would be enlarged and its effectiveness enhanced.

10. Where the Economic and Social Council was concerned, if the criticism directed against it in the Committee were motivated solely by the desire to improve the functioning of the United Nations, the French delegation would not hesitate to endorse some of the charges made. Unfortunately, however, they reflected a distrust of the Council which the French delegation did not share. The question of changes in the membership of the Council, which no longer was as representative of the General Assembly as it had been in the past, was a separate problem which had been included in the agenda of the session. The French delegation was in favour of enlarging the membership of the Council, particularly as that organ, together with its functional and regional commissions, was probably the one with the most appeal for the developing countries. Apart from the adjustments necessitated by the growth of the Organization, the existing machinery appeared adequate for the purpose of systematic reporting and close co-operation. Moreover, it should be borne in mind that that machinery extended beyond the United Nations to the specialized agencies, and that the Council had the difficult task of co-ordinating the programmes and activities of the various United Nations bodied. Differences of opinion had arisen among members of the Council on the nature and methods of co-ordination, particularly in connexion with the long-term appraisal of the programmes of the various agencies. The French delegation continued to support two apparently contradictory principles: the need to preserve the autonomy of the specialized agencies and the need to co-ordinate activities directed towards similar goals. The solution lay in a flexible system of co-ordination administered by the Council in close co-operation with representatives of the specialized agencies. In order to be effective, co-ordination should be exercised preferably in those fields where there

was the greatest need to harmonize the activities of the specialized agencies, for example, in the field of technical assistance.

11. Turning to the problems of economic expansion and international assistance to the under-developed countries, he pointed out that the balanced expansion of the industrialized areas was an essential but not sufficient condition for the economic development of the less advanced regions, because those regions, even with an increase in their exports, always needed outside economic and technical aid to finance the early stages of their development. Assistance to under-developed countries was just as much a political problem as expansion. For its part, the French Government had endeavoured to resolve the problem in a way which had in fact resulted in the appropriation of a substantial share of its national income for assistance to under-developed countries. That share had amounted in recent years to 1.39 per cent of the gross national income for 1958. Since that figure did not include military expenditures or private investments, the view expressed by the representative of India at the previous meeting could not fail to evoke a response from his delegation. He doubted, however, that all Members of the Organization would be prepared to agree to a goal of 1 per cent of the national income. He simply wanted to point out that in the case of France the ratio of the volume of aid given to the total national income in fact considerably exceeded that figure.

12. As for the more technical problem of the growth of the world economy, the Governments seemed to have set themselves the same goals of expansion combined with stability and to be more and more clearly aware of the interdependence of national economies. That apparent identity of view on general principles did, it was true, conceal different conceptions of the means of ensuring regular and rapid economic development. The return to currency convertibility and the progress made in liberalizing trade had further emphasized those divergencies, the extent of which should not however occasion undue pessimism.

13. One reason for optimism was that a number of governments possessed a policy and techniques that had proved effective in combating economic fluctuations. In France for example, planning was based on the use of quite highly developed long-term forecasting techniques and on the use of various devices, ranging from the traditional manipulation of interest rates and control of the volume of currency in circulation to more selective forms of intervention through the budget, credit, or even, more simply, persuasion of the persons concerned. That flexible planning had so far made it possible to maintain comparatively satisfactory rates of expansion, ranging from 2.5 to 5 per cent a year. A second reason for optimism was the appearance, as the need arose, of certain forms of machinery for consultation between governments, which seemed anxious to concert their actions in order to avoid the recurrence of excessive economic fluctuations. Although there might not yet be a harmonization of general economic policies on the international level, some co-ordination already existed in particular fields, as could be seen from such things as the commodity agreements, the consultations accompanying the annual meetings of the governors of IBRD and of IMF and, on the regional and inter-regional levels, the Monetary Committee of the Franc Area, the consultations between the members of the European

Economic Community, and those to be held in the future within the wider framework of the new Organization for Economic Co-operation and Development.

14. The close links between economic expansion and development of the less advanced countries should not be allowed to obscure the problems of financing and of trade posed by the campaign against under-development. The inadequacy of financial resources in the under-developed regions remained such that all efforts, individual or joint, should be encouraged, provided that they combined to combat the dearth of capital. The French delegation continued to think that bilateral aid retained its usefulness. The public aid provided by France under bilateral agreements to Member States of the United Nations amounted to 320 million dollars in 1960, while the budget allocations for 1961 amounted to around 350 million dollars. Those figures included neither the aid granted to other regions nor private investments. The administrative costs of the French bilateral programmes were estimated at 5 per cent and thus did represent half of the aid given, as the Hungarian representative seemed to think. It was true that around 80 million dollars had been spent yearly to pay the expenses of experts or personnel of the OPEX type in various States of Africa and Asia. But it would seem difficult to dispute the usefulness of that form of aid and of the United Nations programmes, a substantial part of which was devoted to administrative assistance. He would point out to the representatives of Sweden and Denmark that the figures they had quoted were still far from the sum of close to ten dollars that each Frenchman contributed annually to international aid to Member States of the United Nations.

15. Multilateral aid likewise played an important role in the French Government's policy of international assistance; France contributed to the European Economic Community's Development Fund for the overseas countries and territories; it was a member of IMF and IBRD, and had joined the International Development Association, which would have to see to it that its assistance was allotted as equitably as possible among the various regions of the world and that the African countries received a share commensurate with their needs. As it had made a substantial contribution to the International Development Association, the French Government had been led, during the past two years, to remain aloof from the plan to establish a United Nations capital development fund, since it would not be in a position to participate in the financing of both those bodies at the same time, and it was also anxious to avoid stunting the growth of the Special Fund, whose development might be jeopardized by the premature inception of another plan.

16. With regard to trade, the basic problem continued to be that of stabilizing commodity prices. It was to be hoped that the Group of Experts set up under General Assembly resolution 1423 (XIV) would soon be in a position to lay before the Committee a study of the problem and, perhaps also, the outline of a solution. The French Government was a party to all the commodity agreements signed so far and, in addition, it had concluded with a number of African countries some agreements ensuring regular outlets in the French market for those countries' products at better than world prices. Those agreements usually relied for their proper functioning upon the existence of equalization funds which, in practice, guaranteed the producer against price fluctuations.

17. The United Nations had a vital role to play in the field of international economic assistance, and it could perform that role without needing large sums, merely by acting as a forum for the exchange of ideas and thereby contributing to the co-ordination of individual efforts. In their discussions of international economic and technical assistance, the members of the Second Committee did not always seem to be speaking the same language. Apart from theoretical differences concerning the nature of the assistance, the industrialized countries found it difficult to draw the line between matters relating to assistance and those pertaining to trade. It would therefore be desirable for the United Nations to try, as the Under-Secretary for Economic and Social Affairs had suggested (646th meeting), to improve the sources of information available on international assistance and establish a common terminology and criteria. Similarly, in a different context, the new Committee for Industrial Development would not be able to carry through its programme unless all Member States agreed to communicate to one another, through the Secretariat, the necessary information on their experience of industrialization in various parts of the world.

18. The effectiveness of the United Nations work depended on co-operation between Governments, co-operation that presupposed mutual trust between the Members of the Organization and its Secretariat. An effort must be made to restore that mutual trust, which had unfortunately waned in recent months.

19. Miss HARELI (Israel) said that, of the many important questions with which the Second Committee had to deal, that of economic development was one on which particular emphasis should be laid, especially in view of the addition of several new Member States. It should be borne in mind that the gap between those countries and the industrialized countries was continuing to widen. Studied made by governments, economists and statisticians had provided a fairly clear picture of the scope of the problem. It was known for example, that per caput national income varied as between countries from less than \$100 to \$2,500 per annum and that more than 800 million human beings lived in countries where the figure was considerably less than \$100. It was also recognized that the average rate of economic growth was about 1 per cent in the under-developed countries, whereas it was several times greater in the industrialized countries. The Managing Director of the Special Fund had estimated that it would require \$7,000 million per year during the coming ten years to double the rate of growth in the under-developed countries, or \$3,000 million a year more than the current flow of public and private capital to those countries. In short, much more would have to be done to eliminate the gap between the industrialized and the under-developed countries. Mr. Horowitz, Governor of the Bank of Israel, speaking at a recent meeting of IBRD, had drawn attention to the enormous resources which could be made available for economic development if members would set aside one and one-half per cent of their gross national product for that purpose. The need for such resources would become all the greater as the Governments concerned acted more vigorously to initiate their development programmes.

20. It was encouraging to note that international financial assistance to the under-developed countries had increased, as indicated in the report of the Secretary-General on that subject (E/3395 and Add.1). The Under-

Secretary for Economic and Social Affairs had noted in his statement that such assistance had increased steadily at the rate of 15 per cent per annum and that it had not been subject to the fluctuations which had beset the under-developed countries' other sources of foreign exchange, particularly export receipts. The relatively more rapid increase in multilateral, as compared with bilateral, aid signified that Governments were increasingly willing to join in concerted international action for economic development, and her Government looked forward to a further expansion of such action through the International Development Association. Yet capital requirements were so great that there remained room for additional international efforts, including the eventual establishment of a United Nations capital development fund.

21. Capital alone, however, was not enough to ensure economic progress, for it could only provide the tools with which developing nations could better their lot. This pre-supposed the attitudes, habits and disciplines required for the functioning of a modern society. In the industrialized countries it had taken generations to bring those changes about. The young nations which had just attained their independence could not afford to wait so long but must progress more rapidly. Fortunately there were now several factors which could be expected to help accelerate the process. First of all, the independence which those nations had won after an intense struggle might provide the impetus required to bring about such a change of attitude and the groups which had worked for national liberation might serve as the pioneers of such an internal transformation. Secondly, those nations could take advantage at once of the scientific knowledge and technical advances which had been accumulating over the centuries. That did not mean that they would be able to solve their problems overnight, for the application of the body of modern knowledge to the situation in each country gave rise to great difficulties, which were of two kinds: first, the selection of those techniques which would be applicable to the immediate problems; and second, the education and training without which no society could assimilate the accumulated knowledge or translate it into effective action.

22. Those were among the problems studied by the International Conference on Science in the Advancement of New States, held at Rehovoth, Israel, in August 1960, which had been attended by high government officials, representatives of educational and development institutions of many countries, including several of the new States, scientists and scholars from all parts of the world and high-ranking officials of international organizations.

23. Some of the ideas put forward at that Conference should be of particular interest to the Second Committee. The participants had noted that in most cases the immediate need of the developing countries was not to be able to make use of the most recent discoveries of science, from which they would eventually benefit, but to be able to apply much simpler and less costly methods and procedures. Better methods of soil conservation, utilization of available water in arid and semi-arid zones, improvement of seeds and the use of fertilizers would enable them to increase their agricultural output considerably. Many of the new countries had climates which would permit them to utilize solar energy and wind power to solve part of their energy problems. Furthermore, new methods resulting from

protracted research but relatively simple to apply made it possible nowadays to eradicate the endemic tropical diseases which would otherwise preclude the possibility of development of any kind. Those few examples showed that science could accomplish much at comparatively little cost. The dissemination of the new methods did, it was true, involve administrative, educational and organizational problems the solution of which would confront Governments with a heavy task, but the funds required for transmitting to others the know-how already available were of manageable proportions compared with those which would be required for capital investment.

24. Accordingly the field was open not only to the most advanced countries but also to countries that were themselves developing which, although unable to export capital, had scientific institutions, scholars and technicians who could be of great use to other developing countries. The Rehovoth conference had offered proof of that assertion.

25. She wished to draw the Committee's attention to another institution which was of particular interest for countries in the process of development, namely the co-operative. That form of organization made it possible to overcome obstacles which one man could not cope with on his own and which were typical in under-developed countries. Israel could not have developed without the establishment of co-operatives of many kinds. Seventy-five per cent of its agricultural output was now produced by co-operatives. There were also consumer, insurance and credit co-operatives. Her delegation, being convinced that co-operatives could play an important part in the development of many countries, had noted with great interest the Secretary-General's reports on co-operatives and Economic and Social Council resolution 760 (XXIX). The Israel Government was ready to make its experience available to other developing countries, directly and through the United Nations.

26. As the increase in the membership of the United Nations would entail the expansion of its activities in the social and economic field and as those activities were directed and co-ordinated by the Economic and Social Council, her Government was of the opinion that the Council ought to be enlarged so that it would more faithfully reflect the existing composition of the Organization.

27. Her delegation reserved the right to speak later on various matters to be dealt with in specific proposals.

28. Mr. AMADOR (Mexico) recalled that his country had just celebrated the 150th anniversary of the proclamation of its independence and was about to celebrate the fiftieth anniversary of the beginning of the Mexican revolution of 1910. Although the first years of Mexico's emancipation had been marked by much bloodshed, the revolutionary principles had triumphed, and since then the Mexican people had endeavoured to apply those principles in such a way as to promote the country's economic, social and cultural development. A century had therefore elapsed between the achievement of Mexico's political independence and the juncture at which it had succeeded in making progress towards economic emancipation. That was due to the fact that, during the period in question and particularly during its last thirty years, the structure of Mexico's economy had remained colonial in

character. The wealth had been in the hands of absentee landlords and of foreign concerns or persons who had exploited the soil and sub-soil without bringing any profit to the country, and by maintaining working conditions comparable to those of the feudal system.

29. In those circumstances, land reform had been the first important step taken to bring about the social and economic transformation which the country had required if the people's level of living was to be raised. Thanks to the introduction of the small-holding system, agriculture had ceased to mean the exploitation of the peasant.

30. It could not be said that in Mexico all the aims of a thoroughgoing land reform had been achieved; yet despite the errors which might have been committed, Mexican land reform supplied an interesting example that might be very useful to the under-developed countries undertaking, or intending to undertake, their own reform. The results obtained in Mexico were satisfactory. In 1959, agricultural production had reached the figure of \$2,064 million, which represented an increase of more than 6 per cent in the total volume of national production. In the same year, that production had supplied 55 per cent of the foreign exchange derived from exports. Mexico was continuing its efforts to achieve all the aims which it had set itself. More than 50 per cent of the Mexican population depended upon agriculture. That sector needed, therefore, to be developed so that the farmers could have a higher purchasing power and thus contribute to the expansion of the home market.

31. In 1960, Mexico had had the honour to act as host to the Fifth Inter-American Conference on Agriculture, as well as to the Sixth FAO Regional Conference for Latin America. Those important conferences had adopted various resolutions regarding land reform. In that connexion particular mention should be made of the resolution which recognized the peasants' right to acquire the land they cultivated and to obtain the loans and technical and social assistance that they needed.

32. In the matter of the economic development of under-developed countries, the Mexican delegation attached great importance to industrialization. Mexico was particularly pleased to have been elected an additional member of the Committee for Industrial Development, which had been established in implementation of Economic and Social Council resolution 751 (XXIX). Mexico's participation in that Committee would certainly be useful, as the country had been striving for several decades to develop its industry. In order to achieve that objective, the Mexican Government was taking all the steps it judged appropriate; thus a few months previously the Government had acquired, on favourable terms, electric power stations belonging to various companies. In that way the nation had become the sole owner of a source of power which was vital to its future development. It would also be noted that in 1959 the volume of industrial activity had expanded considerably. There had been an increase of 17 per cent for the oil industry, of 7 per cent for electricity, of 7 per cent for the manufacturing industries, of 3 per cent for transport and communications, of 2 per cent for the mines and of 4 per cent for building.

33. In the field of regional economic activities, the Mexican delegation welcomed the work accomplished

by ECLA, particularly with respect to the convening of the conferences which had resulted in the signing at Montevideo, on 18 February 1960, of the Treaty establishing a Free-Trade Area and instituting the Latin American Free-Trade Association.

34. In 1959, foreign investments in Mexico were 30 per cent higher than in the preceding year. The Mexican Government was maintaining its position with regard to foreign private capital; such capital could be invested in Mexico under the same conditions as domestic capital under Mexican law, which afforded both foreign and Mexican investors all the necessary safeguards. The Mexican delegation saw no need to accord further guarantees to foreign private investors, such as, for example, recourse to a system of arbitration to settle disputes between Governments and foreign private investors. Such disputes were of a domestic nature and ought to be settled under national law. Moreover, the fact that international arbitration was accepted for foreigners would place domestic investors at a disadvantage.

35. The Mexican delegation had always supported the idea of establishing SUNFED. Up to now, in partial replacement of SUNFED, three new bodies had been established, the International Finance Corporation, the International Development Association, and the Special Fund. The establishment of those three bodies was to be welcomed, since, even if they could not solve the financial problems of the under-developed countries, they could fill at least part of the immense gap which existed in that field, especially since the membership of the United Nations had increased. It was indeed particularly important to assist the new countries to ensure the well-being of their population and their economic prosperity. The Mexican delegation would therefore continue to support any adequate measures which might lead to the setting up of a United Nations capital development fund.

36. The Mexican delegation deplored the present state of the world market. The under-developed and developing countries needed the foreign exchange accruing from the sale of their products, and they were being hard hit by the instability of the prices of those products and by the deterioration of the terms of trade. The result was that the gap between the levels of living of the industrialized countries and of the under-developed countries was widening day by day. It was true that some steps had been taken at the international level to find a satisfactory solution for those serious problems, as witness the activities of the Commission on International Commodity Trade, the Interim Co-ordinating Committee for International Commodity Arrangements, the FAO Committee on Commodity Problems and various study groups. It must nevertheless be recognized that very little had been done to eliminate the artificial practices which led to disturbances in the world market to the detriment of the legitimate interests of the less developed countries. The Mexican delegation hoped that it would be possible in the future for economic co-operation between all the countries of the world to be considerably strengthened.

37. The CHAIRMAN proposed that the list of speakers for the general discussion should be closed at 6 p.m. on Monday, 31 October.

It was so decided.

The meeting rose at 5.5 p.m.