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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)

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GENERAL DISCUSSION (continued)

1. Mr. ZENKER (Austria) said that it was gratifying to be able to welcome seventeen new Member States which had recently achieved political independence. The co-operation of all countries, both industrialized and under-developed, would be needed to ensure economic independence for them and for a great number of other countries.

2. In view of the important role of the United Nations and the specialized agencies in the fulfilment of that goal, it appeared essential to strengthen the position of the United Nations and its organs. In spite of the political difficulties involved, the membership of the Economic and Social Council and certain other organs should be enlarged so as to reflect the increase in the number of Member States and their geographical distribution.

3. His delegation had followed the activities of the Council with interest and considered that meetings at the ministerial level could be of value, particularly if they were prepared in advance and if the debate was concentrated on a few questions. The Committee for Industrial Development could fulfil an important task in the industrialization of under-developed countries. In view of the concern caused by the consequences of fluctuations in commodity prices on the economies of under-developed countries, it was gratifying that the Commission on International Commodity Trade was assuming greater importance. The losses caused by the weakening of commodity prices and the increase in the prices of industrial products far exceeded the financial assistance the under-developed countries received. The gap between levels of income in the industrial and the under-developed countries could be prevented from widening only by diversification of the economies of the developing countries and systematic industrialization. In view of the immense sums required for that purpose, it was clear that drastic measures were called for.

4. The technical assistance programmes, the Special Fund and the OPEX programme were working effectively, but their financial resources were insufficient. In that connexion, he was pleased to say that his Government's contribution for 1961 was more than double that of the previous year. In addition Austria was contributing to the support of economic development in other countries by bilateral action. In recent years his Government had made loans to various countries, including a \$350 million loan to India for the purchase of capital goods. The Austrian iron and steel industry had provided considerable sums for the construction of a steel plant in India. The steel industry was also making exports to less developed countries on a long-term payment basis. Such transactions were facilitated by the credits which his Government granted to Austrian exporters. Under

that programme Austria had recently received orders for equipment for power stations in Thailand, various orders for Lebanon and orders for the construction of hydroelectric power stations and water supply installations in Iran. The Federal Chamber of Commerce had established a co-operative system for carrying out technical projects, especially in the under-developed countries. Austria was a member of IBRD and of the International Finance Corporation and was thus also participating in the financial assistance provided by those institutions.

5. It was his delegation's hope that the General Assembly would be able to take a decisive step towards the solution of the major economic problems so frequently mentioned in the Committee.

6. Mr. GUILLEN CASTAÑON (Guatemala) observed that each representative analysed the general economic situation from his own political standpoint and stressed the aspects that were of direct concern to his country. The economic phenomena on which the social policies of States were founded could not be examined in isolation without reference to their political context. It was not surprising therefore that the positions taken by the various delegations should differ, depending on whether they represented socialist, capitalist, industrial or under-developed countries, despite the fact that all shared the common aim of progress for all States. His country, with its population of four million, obviously did not aspire to become a great military or economic Power; it merely wished its people to live in peace and prosperity. It believed that the United Nations was at present the political instrument which could best ensure the coexistence of States and it was prepared to support any economic programme which would raise the levels of living of mankind, provided that man was considered not as a machine but as the most important factor in economic production.

7. Among the subjects mentioned in the Economic and Social Council's report (A/4415), the difficulties confronting primary producing countries deserved special attention. The raw material exporting countries were losing foreign currency as a result of the fall in commodity prices and the rise in the prices of manufactured goods. Their economies were being damaged by the instability and weakening of commodity prices because the level of income was uncertain and economic and social development programmes were subject to change from one day to the next, a situation that was likely to undermine the confidence of investors. In the circumstances, even if the countries concerned followed a prudent financial policy, they would be unable to avoid budget and balance of payments deficits unless prices were stabilized and they received a fair return for their raw materials and agricultural products.

8. When the under-developed countries were faced with unmanageable deficits and suffered a depression, the industrial countries came to their aid by offering technical assistance. Such assistance would be unnecessary if the industrial countries had not closed commodity markets and imposed high customs duties on commodity imports but had instead agreed to pay the producers a fair price. His country was deeply grateful to the industrial countries for the economic assistance they provided but if they took the necessary remedial action before the need for assistance arose, that would be even more helpful. The prices of

manufactured goods were high because the workers who made them received good wages, whereas the workers who produced raw materials and agricultural products were paid low wages because the prices of the commodities they produced were low. That disparity was unjustified and a barrier to economic progress. For those reasons, his delegation hoped that consideration would be given to the possibility of giving the under-developed countries access to markets in which prices would be fair and stable. It would support any proposals to promote the development of the under-developed countries, provided that they did not have the effect of imposing restrictions on national sovereignty.

9. Foreign capital investment in his country had increased in the past five years, particularly in the new industries and in the oil industry. There was no doubt that that increase had been due to the strength of the Guatemalan currency, to the recent enactment of legislation to promote industrial development, to the legal system in force and to the expansion of the consumer market resulting from the integration measures taken by the Central American countries. In that connexion, it should be mentioned that a bank with a capital of \$16 million, furnished by El Salvador, Guatemala, Honduras, Nicaragua and the United States of America, had recently been founded to promote the development of the countries of the region. If the United Nations established a fund with similar objectives, all the under-developed countries would be most grateful.

10. One of the agenda items which most interested his delegation was the question of land reform, a matter of vital importance to agricultural countries with unsatisfactory systems of land tenure. After the Spanish Conquest, the land in the American countries had become the property of the Catholic Kings and its subsequent distribution had been legally governed by the "Leyes de Indias" (Laws of the Indies). As a result, throughout the colonial period, the land had been divided into inalienable estates belonging to the Church and a few great landowners who had formed a coherent bloc. After the Latin American countries had won their political independence, the conservative circles which had come to power in most of them had maintained that situation and it was not until after the liberal revolutions that the land had been more equitably distributed. Even so, in many Latin American countries there were still owners of large estates living side by side with a great mass of impoverished peasants who were compelled to pay levies. Each country was faced with the need to develop uncultivated land and each had solved the land problem in its own way.

11. In Guatemala one of the two Governments with socialist tendencies which had followed the dictatorships had carried out a land reform designed to modify the system of ownership and methods of cultivation, and so improve the standard of living of the peasants. The great landowners had been expropriated and had been paid compensation. The State had become the owner of the land and had divided it into small holdings which had been allotted to agricultural workers. The reform had had some merits but it had also had shortcomings. The land had only been allotted on usufruct and the selection of the small holders had not been systematic. The division of the land into small holdings had also reduced productivity. Moreover, the reform had been carried out

in an arbitrary manner: fully productive estates had been left uncultivated after expropriation and others had been of no interest to the peasants because of the difficulty of reaching them. In some instances the peasants had preferred to seize the crops of others rather than develop their own land. In some cases, the State had given to agricultural workers the usufruct not of state-owned land but of the lands of private individuals who had been expropriated. As a result of those abuses, livestock had disappeared, agricultural production had fallen considerably, and the people had risen in revolt. The Government's main mistake had been to use land reform for political purposes instead of regarding it as an instrument of economic progress.

12. There was now in Guatemala a general department of agrarian affairs which carried out the country's policy in that field in accordance with the provisions of the Agrarian Act, which aimed at the gradual creation of the greatest possible number of agricultural units. The Act provided for the creation of development areas and small holdings and the organization of agricultural communities with a view to sharing the land more equitably, increasing production, facilitating the industrial processing of primary commodities, and raising the level of living of the peasants. The development areas comprised holdings of from twenty to thirty hectares each, which had been distributed to the farmers; an attempt had been made to give each family enough land to enable it to meet its own needs and to increase its income considerably from the sale of the produce of its holding. The development areas were administered by the general department of agrarian affairs and were given priority in housing construction, health services, general and agricultural education, and technical and financial assistance. All the small holders participated in the social security system. The Government did not think that it was sufficient to give land to the peasants; it was also necessary to supply them with seed, fertilizers and tools, to construct roads so that they could bring their crops to market, to supply them with specialist assistance, and to plan housing, schools, banks, hospitals and recreation centres. Thus, in areas which were formerly undeveloped, semi-urban centres were being created which encouraged prosperity. Near towns, where development areas could not be organized, families had been given small holdings which they could cultivate in order to provide themselves with food and improve their levels of living. Such holdings were also found on estates which had been invaded by the peasants under the socialist Government and subsequently transferred by their owners to the State. Where the land was not suitable for division into small holdings, agricultural communities had been established; in such cases, the land was cultivated jointly by groups of peasants. The general department of agrarian affairs supervised but did not administer such communities.

13. The lands which the State assigned to the peasants were state-owned lands which it had held in reserve for over a century, or lands which it acquired legally where conditions were favourable to agricultural progress; in the latter case, the land was acquired by exchange or by expropriation with compensation. The land was not given in usufruct because experience had shown that the majority of the recipients took no interest in land which they did not own

and could not bequeath to their heirs. In such cases they tended to cut down all the trees to sell the wood or use it as firewood; to neglect crops which required the expenditure of time and money, such as coffee, in favour of maize, which was harvested at the end of three months; and finally, after ruining the land, to abandon it in the hope of obtaining a better holding. The land was, therefore, granted to the peasants in full ownership at a very low price payable over a ten-year period. The purchasers received free technical assistance and full social services. The National Agricultural Bank lent them the money they needed to work the land and the National Housing Institute solved their housing problems.

14. In order to ensure the country's rapid agricultural development, the present Government had decided to develop lands which were still uncultivated and to improve land suitable for intensive cultivation. By the middle of 1960 it had established nineteen agricultural development areas, covering a total of 150,000 hectares. In those areas there were thirteen branches of banks, nine agricultural training institutes, thirty schools, thirteen hospitals, nine churches, fifteen sports-grounds and twelve power stations, in addition to administrative and commercial centres. The areas were also equipped with roads and supplied with drinking water. Nearly 25,000 families, totalling about 125,000 persons, had become property owners. There was ground for satisfaction with the results that had been obtained within six years. Any land reform implied great changes, not only in regard to land ownership and cultivation but also in the relations between man and the soil and between man and man. Grave errors could be made in the preparation or implementation of programmes. The question was of great importance and his delegation welcomed its inclusion in the Committee's agenda. Any resolution adopted on the subject should allow each country the freedom to apply it in accordance with its own legislation and with due regard to its special problems.

15. Mr. GALLEGOS (Ecuador) recalled the Secretary-General's statement that, despite changing political fortunes, international co-operation had registered an unprecedented advance in the economic sphere during the post-war years. While there was undoubtedly ground for satisfaction, the fact remained that the gap between levels of income and production in the developed and the under-developed countries was continuing to widen, with the result that it was not only desirable to reduce that gap but urgently necessary to take action to do so.

16. Lack of capital had been one of the main obstacles to the progress of the under-developed countries. With their low national incomes and rates of saving they could not provide from their own resources the capital needed for their development and were thus caught in a vicious circle. The only solution for them would be to accelerate their development.

17. In most of the under-developed countries efforts had been made to find the necessary capital by drawing on the savings of high income population groups whose standards of living were comparable to those in the industrial countries, but it had been found that such action was insufficient to ensure the regular expansion of real income. Endeavours had therefore been made to find other sources of capital through such organizations as IBRD, the International Finance

Corporation and the Export-Import Bank and setting up new institutions such as the Inter-American Development Bank and the International Development Association.

18. Those organizations had given valuable support to the poorer countries, but the aid supplied had not been on the scale required to enable them to achieve their aspirations. Moreover, the terms on which the aid had been supplied had not always been satisfactory. The IBRD, for example, had granted loans to finance only the part of a project for which foreign currency was needed and all local currency costs had had to be financed by the country concerned. The International Finance Corporation gave aid exclusively to the private sector. The Export-Import Bank was mainly concerned with helping to finance the foreign trade of private enterprises in the United States. Thus the total funds made available to the under-developed countries had been sufficient to meet only a small part of their needs.

19. It had been estimated in 1959 that Latin America required slightly more than \$1,000 million a year in foreign capital in order to maintain the moderate rate of growth achieved in recent years; however, it had received an average of only \$450 million annually in foreign investment. According to the Economic Survey of Latin America, 1959 (E/CN.12/541 and Corr.1), in 1959 the rate of increase in gross national product, estimated at 2.7 per cent, appeared to have risen slightly in comparison with the previous year; as the annual rate of population increase had been at least 2.5 per cent, however, per caput product had increased very little; there had been a further deterioration in the terms of trade; despite the vigorous measures taken against inflation, inflationary tendencies had added to the pressure on the domestic economy of the Latin American countries, and agricultural production for domestic consumption had declined by about 1 per cent. Since there had been no change in the import price index, the deterioration in the terms of trade had been due to a further decline in the unit value of exports. That situation explained the concern felt by the Latin American countries and their desire to find an early solution to the serious problems involved.

20. His own country had received \$45 million from IBRD for highway construction, electric production and harbour development; that assistance, although very helpful, had enabled the country to deal with only a very small part of its most urgent needs. At the present time, the people and Government of Ecuador, vigorously led by their President, were trying to find means of correcting that situation.

21. In his opinion, the economic position of the under-developed countries could not be improved merely by providing them with technical assistance or increasing the flow of capital to them; it was necessary above all to stabilize the prices of primary commodities. Unless a fair price was fixed for commodities, any co-operation extended by the capitalist countries would remain without effect. In order to ensure effective co-operation, it would be necessary to carry out studies and, even more important, to stabilize primary commodity prices at a fair level; that would bring prosperity to the under-developed countries and ensure their economic and social progress.

22. Mr. OMEISH (Libya) welcomed the new States which had just been admitted to the United Nations and expressed the hope that Algeria and other territories in Africa and elsewhere would soon rid themselves of the colonial yoke and take their rightful place among the peace-loving nations.

23. He wished first of all to say a few words on the course of economic development in his country, which was often described as an ocean of sand or an Egypt without the Nile. Independent for only eight years, Libya had long been under foreign domination and its human resources had long been neglected; its people had not been given opportunities for education, had been unable to gain experience in self-government, and had been left in ignorance of modern production techniques. Since 90 per cent of the population had been illiterate when Libya had attained independence, the Government had begun by concentrating its efforts on education. Between 1952-1953 and 1958-1959, total school attendance had risen from 45,000 to 106,000 and the number of schools from 234 to 524; from 60 to 70 per cent of the children between the ages of six and twelve now attended school. The Government had established technical and vocational training establishments, such as the schools of agriculture at Tripoli and El-Aweila, a technical and clerical training centre and a school of applied engineering at Tripoli, a medical assistants' and health workers' institute at Benghazi, and teacher-training and public administration schools. The University of Libya, which had opened in 1956, was composed of three tuition-free colleges (a college of arts and letters, a college of sciences, and a college of commerce and economics); enrolment, which had totalled 157, 53 and 77 respectively in the three colleges, had greatly increased in 1959 and 1960. The authorities planned to expand the faculties of chemistry and geology in the college of sciences as oil seemed destined to play a larger role in the country's economy. A considerable number of Libyan students were being sent abroad for higher education. With the assistance of the Special Fund, the Government planned to establish an institute for higher technology to provide training in civil engineering, electrical engineering, mechanical engineering and food technology. The project was to be carried out by UNESCO.

24. Agriculture was still the mainstay of the country's economy, and Libya exported primarily agricultural products, both raw and processed, i.e. ground-nuts (comprising 24 per cent of the total), live animals (19 per cent), esparto grass (6 per cent), olive oil (10 per cent), hides and skins (5 per cent), wool and animal hair (3 per cent), sponges (3 per cent) and miscellaneous other products (27 per cent).

25. In recent years, many small factories had been established, most of which engaged in the processing of local agricultural products, e.g. in flour-milling, olive oil refining, tobacco and salt manufacturing (both state monopolies), the manufacture of textiles, footwear and clothing, printing, vehicle repairs, soap manufacturing, canning and brewing. The country also had numerous handicraft workers, weavers, basket-makers, carpenters, carpet and mat makers, and shoemakers. In order to promote the development of national industries, the Government had enacted a law under which existing and newly established enterprises could be granted various exemptions and benefits, such as exemption from property tax for a period

of ten years, exemption from income tax for a period of five years, exemption from customs duties on machinery and equipment for a period not exceeding five years, and the opportunity to pay in instalments over a ten-year period for land purchased from the State as construction sites for industrial enterprises.

26. The sea was one of Libya's chief natural assets; there were many sponge-beds along the coast, and the off-shore fishing grounds contained large quantities of excellent fish. The country's Mediterranean climate, sandy beaches, varied landscape, and Greek, Roman and Arab monuments could make it a major tourist attraction. Libya also had plentiful supplies of marine salt and had substantial deposits of gypsum in the Gefara. Large deposits of iron ore with a ferrous content of about 45 per cent had been discovered in the Fezzan, where small deposits of natron were already being worked. It would unquestionably be possible to exploit the potash deposits in the Sirte desert now that oil had been discovered in the area. Libya also had small amounts of sulphur, manganese, lignite, alum and sodium carbonate. The limestone and clay found near Homs in Tripolitania could be used for the manufacture of cement. However, it was the discovery of oil and natural gas deposits, whose exploitation on a commercial basis was to begin within two or three years, that would have the greatest impact on the national economy. Libya hoped that income from oil production and export would enable it to become self-sufficient in the near future. If it was to achieve real prosperity, it was important, however, that the other sectors of the economy should not be neglected, and hard work would be needed to transform the country and make the best possible use of all its human and material resources.

27. A number of agencies had hitherto dealt with the problems of economic and social development. In order to avoid duplication and to build up the administrative and technical machinery required for the efficient implementation of development programmes, the Government had decided to abolish the Libyan Public Development and Stabilization Agency, the Libyan-American Reconstruction Commission and the Libyan-American Joint Services and to reorganize the Libyan Development Council, which would be responsible for the planning and co-ordination of development programmes. The Council would prepare an annual development budget to be submitted to the Cabinet and to Parliament for approval. The development programmes would be financed primarily from foreign loans and from the income from oil production and export, 70 per cent of which was earmarked for national development.

28. Turning to the questions before the Committee, he said that, while he did not intend to discuss the advantages and disadvantages of private investments, he wished to mention that his Government had enacted a law in 1958 relating to capital investments from private foreign sources. Under the law, an enterprise was regarded as foreign if at least 51 per cent of its capital came from outside the country, and any enterprise fitting that description could be granted exemptions from various taxes and from customs duties for such period as the Government might determine. The law guaranteed the free repatriation of the capital invested, of profits made by the enterprise and of remuneration received by foreign employees. However, the Government had the right to impose certain conditions on a foreign enterprise and to require, for example, that it employ and train Libyan personnel, that it permit Libyan investors to participate in the enterprise and grant them the right of representation on the board of directors, and that it submit reports on the development of the enterprise. Finally, the Expropriation Law guaranteed owners appropriate compensation in the event of expropriation.

29. Libya was a member of IMF, IBRD, the International Finance Corporation and the International Development Association; in 1959, it had increased its contributions to IMF and IBRD, raising the first from \$5 million to \$15 million and the second from \$5 million to \$20 million. Although it hoped that those four agencies would do everything possible to promote the economic advancement of the underdeveloped countries, his Government continued to support the early establishment of a United Nations capital development fund capable of financing non-self-liquidating development projects, and it urged the highly developed countries to assist in bringing about the establishment of such an institution.

30. In his delegation's view, land reform was a problem of great importance for most of the underdeveloped countries. The Secretary-General should continue to observe the progress made by countries which had carried out or were carrying out land reform programmes and should submit periodic reports to the Economic and Social Council containing observations and recommendations designed to assist other countries in formulating their development programmes. The problem of land reform should be included in the ordinary work programme of the economic units of the Department of Economic and Social Affairs, which should study the economic aspects of the problem with a view to providing Member States with the technical assistance and information they required in dealing with it.

The meeting rose at 12.10 p.m.