



CONTENTS

	Page
Welcome to the representative of Japan.....	97
Agenda item 27:	
Economic development of under-developed countries (continued):	
(a) Question of the establishment of a Special United Nations Fund for Economic Development: report of the <i>Ad Hoc</i> Committee;	
(b) International tax problems: report of the Eco- nomic and Social Council;	
(c) Industrialization of under-developed countries General debate (continued).....	97

Chairman: Mr. Mohammad MIR KHAN (Pakistan).

Welcome to the representative of Japan

1. The CHAIRMAN was glad to be able to draw the Committee's attention to the happy fact that Japan, which had recently been elected a Member of the United Nations, was for the first time represented in the Committee; he wished to welcome the Japanese delegation on his own behalf and on that of the Committee.
2. Mr. KAWASAKI (Japan) was deeply touched by the kind and warm welcome extended to his delegation which, though late in arriving, would he hoped be able to contribute usefully to the work of the Committee.

AGENDA ITEM 27

Economic development of under-developed countries (A/3154, A/3192) (continued):

- (a) **Question of the establishment of a Special United Nations Fund for Economic Development: report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2);**
- (b) **International tax problems: report of the Economic and Social Council;**
- (c) **Industrialization of under-developed countries**

GENERAL DEBATE (continued)

3. Mr. BAHADUR (Nepal) said that his delegation had been interested to learn of the help promised by the industrialized countries to the under-developed countries. He recalled the reference made by the representative of France to the suggestion that part of the savings resulting from disarmament should be devoted to the development of the under-developed areas. Unfortunately there was little sign of disarmament taking place anywhere and wars continued, with all their detrimental effects, although it was clear that they solved no human problems. It was still true, as the French representative had said, that the total amount spent by

the United Nations on economic and social development in the under-developed areas was a negligible sum compared with the total amount the world spent annually on defence programmes.

4. Nepal had its own special problems which he would like to outline to the Committee in order that the best use might be made of any economic assistance provided for it. Nepal was a mountainous, land-locked country with desert areas and tropical forests, and its communication difficulties were immense. Consequently, it had long remained isolated and its economy had remained virtually static. Its relatively large population weighed heavily on its limited means of subsistence, and levels of living had considerably declined since the Second World War. Moreover, with a population increase of 1.5 per cent per annum it was essential for production to expand if even the present low standards were to be maintained. In order to secure any improvement, a far higher rate of economic expansion was required. That meant, primarily, helping the agricultural population, for 95 per cent of the Nepalese were farmers. Nepal had found from experience that a single multi-purpose programme covering education, health, agriculture, small-scale industry and co-operative organization was more useful and fruitful than a series of separate projects in different economic and social fields. Yet a simultaneous advance on many fronts, desirable though it might be, called for competent administrative and technical personnel, adequate physical and financial resources and well-developed auxiliary services such as transport, communications and power.

5. Nepal was embarking on a five year plan of development, but the requirements of many of the projects in that plan would far outrun the country's own resources. Its main resource was its industrious people, but unfortunately few were educated and there was a grave lack of administrators and technicians. There were rich natural resources in Nepal, including forests, potential water-power and mineral deposits, but they were largely unexplored and wholly undeveloped for lack of the essential transport facilities, capital equipment and hydro-electric power. Nepal had no outlet to the sea, and the opportunities for securing foreign currency through trade abroad were severely limited. The position was, moreover, complicated by the fact that Nepal was compelled to recognize three or four foreign currencies as legal tender: a standard United Nations currency might conceivably help that situation. With the setting up of democratic institutions the cost of administrative establishments had necessarily increased and it was unlikely that any economies could be made in that direction.

6. Those were the harsh realities, and Nepal was aware that it could not hope to rely exclusively on outside assistance to solve all its problems but would itself have to make a tremendous effort of investment in economic and social development. Help was, however, forthcoming from India, which would provide ten crores of Indian rupees during the period of the plan; from the

United States which had been providing a minimum of about \$1 million of economic aid annually; and from China, which had promised assistance to the value of six crores of Indian rupees. In addition, negotiations were now under way with a view to the provision of special assistance by India and the United States towards the implementation of certain basic transportation projects. Such assistance, together with that provided through the United Nations, might be sufficient to enable Nepal to put into effect the larger part of the entire five year plan which called for a total outlay of some thirty-three crores of rupees.

7. As he had already informed the Committee, Nepal was undertaking an ambitious programme to train the skilled personnel it needed for all aspects of its programme. A special committee consisting of experts from the United Nations, the United States Foreign Operations Mission and the Colombo Plan for Co-Operative Economic Development for South and South-East Asia had been set up to co-ordinate the activities of the Government of Nepal and the various agencies assisting it.

8. His delegation had been glad to hear that the sympathetic statement of the Under-Secretary for Economic and Social Affairs (402nd meeting), whose observations held good for Nepal as for most of the under-developed countries.

9. Finally, his delegation wished to extend a special welcome to the representative of Japan, whose candidacy for membership of the United Nations his country had supported. Nepal and Japan had had religious and cultural ties from time immemorial and had shared the civilization brought by Buddhism. He was confident that Japan, a great nation nurtured in Buddhism yet with a modern outlook on life, would make a new and significant contribution to world progress.

10. Mr. NUNEZ PORTUONDO (Cuba) recalled that the Under-Secretary for Economic and Social Affairs had stressed in his statement that the development of the under-developed countries lagged behind that of the industrialized countries. In addition, as indicated by the figures concerning Latin America quoted by the Colombian representative (402nd meeting) the assistance received by the under-developed countries was not nearly sufficient to ensure a satisfactory rate of economic development. The information contained in the GATT publication entitled *International Trade 1955* was extremely discouraging to the under-developed countries, which looked upon international trade as one of the most effective means of promoting their economic development. International trade in 1955 had risen to record levels, but the value of the non-industrialized countries' exports had been far below the peak reached in 1951. It was easy to understand the position in which the under-developed countries would find themselves if the industrialized countries, which had all the resources and continued to erect new and more rigid barriers to their exports, did not assist them.

11. As the under-developed countries could not obtain the funds they needed for economic development through international trade, the only alternative was international financial assistance, in which private capital ought, his delegation had always maintained, to play an important part. But, as the Colombian representative had pointed out, private investors were apparently not interested in the under-developed countries. The less-developed countries were well aware of the need to offer proper incentives and safeguards to foreign private investors, but the developed countries must also do their part to stimulate the flow of private capital. In par-

ticular, increased efforts must be made to eliminate double taxation, which was, as the report of the Randall Committee¹ had pointed out, one of the major obstacles to the United States private investment in the under-developed countries.

12. Pending the solution of those problems, the under-developed countries would have to rely on public capital contributed by the Governments of the industrialized Powers. That was one reason why his delegation had consistently supported the establishment of the Special United Nations Fund for Economic Development (SUNFED). In that connexion he welcomed the USSR representative's statement that his Government intended to contribute to SUNFED; but he hoped that the USSR contribution would not present the same difficulties as the USSR contribution to the Expanded Programme of Technical Assistance. Otherwise, in order to use the USSR contribution, SUNFED would have to initiate non-self-liquidating economic and social projects in the Soviet Union itself, which, however desirable, would be of little benefit to the under-developed countries.

13. The Latin American countries, which had not always received the assistance they needed, were hopeful that the United States would devote to their problems and requirements the attention which they deserved. They were looking forward hopefully to the meeting of the representatives of Chiefs of State to be held at the beginning of 1957 on the suggestion of President Eisenhower.

14. The establishment of the International Atomic Energy Agency was also a hopeful development. Aware of the potentialities of nuclear power in the under-developed countries, his Government had set up a national atomic energy commission, and the first national forum on the peaceful uses of atomic energy was to have been held at Havana in mid-December 1956. The American and Foreign Power Company proposed to build an atomic power station in Cuba in the near future as part of a \$147 million expansion programme.

15. The USSR representative had recently suggested that it would be very useful to exchange opinions and information concerning the economies of the various countries of the East and the West. Year after year the Committee had heard statements concerning the economic difficulties of the under-developed countries and the advantage of the communist economic system in the satellite countries which received technical assistance from the Soviet Union. In that connexion it might be interesting to examine the situation in the satellite countries as revealed by statements by leading Communists in those countries.

16. According to a manual entitled *Politicheskaya Ekonomiya*, published in Moscow in 1954, socialist industry had indisputable advantages over capitalist industry and guaranteed a growing volume of investment, but President Gomulka had told the Polish Parliament on 20 October 1956 that, on the completion of the six year plan intended to raise the living standard of the working class, the Polish people were confronted with tremendous economic difficulties which were increasingly daily.

17. Lenin had stated that capitalism was doomed to utter failure because socialism brought a higher rate of

¹ United States Commission on Foreign Economic Policy, *Report to the President and the Congress*, Washington, D.C., 1954.

production, but President Gomulka had stated that coal production per man-day in Poland in 1955 had been 36 per cent lower than in 1938, and that Polish economic policy, so far as mining was concerned, had been characterized by an unpardonable lack of foresight. While the wonders of the collective farms had been extolled on numerous occasions, President Gomulka had painted a very different picture of agricultural and livestock production in the collective farms of Poland.

18. So far as levels of living were concerned, the statement in *Politicheskaya Ekonomia* to the effect that socialist reconstruction in the people's democracies was accompanied by a marked rise in the standard of living and culture of the workers was far removed from President Gomulka's admission that the six year plan, originally proclaimed as a new step to raise standards of living, had disappointed the hopes of the working masses.

19. Such was the situation in Poland, a country for which the Soviet Union had proclaimed its close friendship and to which it had given technical and other assistance. There was reason to hope that the situation would not continue to deteriorate in 1957, as it had recently been reported that the Polish plan for 1957 had not been prepared in Moscow.

20. The trade policy imposed by the Soviet Union on its satellites had also worked to the disadvantage of the latter. According to an article published in Vienna on 1 November 1956, Poland was obliged to sell coke at \$17.50 per ton to the Soviet Union, which resold it to Hungary at \$23 per ton. The complete and abject subjugation of the satellite Governments to Moscow could not be denied. As an article in *Zycie Warszawy* of 3 November 1956 pointed out, international relations in the socialist countries during the Stalinist period had not been based on equality and respect for the sovereignty of all participants. He hoped that the Soviet Union would allow its satellites to introduce sound economic systems. He was convinced that the tragedy in Hungary had been largely caused by the hunger and poverty of the Hungarian people.

21. It could not be said that the United Nations had overlooked the situation of the under-developed countries, but it had been guilty of neglecting the economic plight of the countries with centrally planned economies. He would therefore suggest that the Committee's agenda might include a new item entitled "Economic re-planning and rehabilitation of the countries with centrally planned economies".

22. Mr. YU (China) said that, after many years of debate, there appeared to be only one point on which unanimity had been achieved: the importance of industrialization and economic development to both the developed and the under-developed countries. His delegation had consistently supported measures for industrialization and economic development which would promote the economic and political welfare of the under-developed countries.

23. Opinions differed significantly regarding the prerequisites of industrialization and economic development. The eighth annual report of the Bank,² for example, pointed out that there were many complex reasons why the under-developed areas were not more developed and that the availability of capital could not by itself be expected to remove some of the most important obstacles to economic growth. Although economic develop-

ment presupposed the existence of various cultural, social, political, economic and physical conditions, certain factors such as finance and technology were nevertheless more essential than others.

24. It had been frequently emphasized that economic development in general, and industrialization in particular, should be the responsibility of the under-developed countries themselves, but the fact remained that those countries did not possess adequate resources for economic development.

25. The Special United Nations Fund for Economic Development was one of the instruments designed to increase the flow of foreign capital to the under-developed countries. The *Ad Hoc* Committee had rendered a valuable service in emphasizing the great differences of opinion among Governments on the details of SUNFED.

26. It had been suggested that a statute for SUNFED should be drafted. There was much to be said for that suggestion, but strong objections had also been raised against it. It had been argued, for example, that any statute, if unacceptable to the prospective contributors, might well prove to be an obstacle rather than a help to its establishment.

27. The most effective step to promote the early establishment of SUNFED was to convince the potential contributors of the necessity for its early inception. The major industrial Powers had repeatedly stated that the formation of SUNFED should await the realization of internationally supervised world-wide disarmament and that, in the meantime, they preferred to channel funds through existing organizations.

28. The Special United Nations Fund for Economic Development had been defended on many grounds. The defence which was most likely to command general agreement would be based upon such commonplace facts as the importance of industrialization and of economic development, the importance of finance to the process, and the paucity of domestic savings in the under-developed countries.

29. His delegation accepted the recommendation that SUNFED should be especially concerned with infra-structural financing. In view of the enormous demands that would be made on SUNFED, he favoured the higher of the two sums suggested for its establishment, namely \$250 million. At the same time methods should be devised to ensure periodic replenishment of SUNFED's resources. His delegation endorsed the principle of voluntary contributions, particularly in the case of the under-developed countries. Contributions from the under-developed countries might provide capital which would otherwise lie temporarily idle, but they could not increase the volume of capital available to the under-developed countries as a whole.

30. Contributions in kind were fraught with difficulties. From a practical standpoint, they would impose a heavy burden on SUNFED's administration. Economically, they would force the recipient countries to use whatever equipment and supplies were contributed, even if unsuitable or obsolescent. Politically, they could open the door to illegal activities by the contributor. Those political and economic arguments against contributions in kind did not apply to contributions from the under-developed countries, but in view of the administrative difficulties involved, it was desirable that their contributions too should be in cash.

31. All contributions should be freely convertible, at least to the full extent desired by the recipient coun-

² International Bank for Reconstruction and Development, *Eighth Annual Report, 1952-1953*, Washington, D.C.

tries. Incontrovertibility would compel the recipient countries to buy only from the contributing country concerned and to use only the equipment and supplies which it produced. There again the economic and political, although not the administrative, arguments against contributions in kind would apply.

32. Self-liquidating projects should be financed by loans, although non-self-liquidating projects might be financed by grants. His delegation favoured low-interest loans, but SUNFED should not commit itself to making loans at low interest only, because in the future it might have occasion to borrow in the open market and to lend the money so borrowed. A normal rate of interest would have to be levied on loans made from borrowed funds in order to cover the cost of SUNFED's own borrowing.

33. The Special United Nations Fund for Economic Development should be an autonomous body. Its staff should be the smallest possible consistent with efficiency. According to the Council's report (A/3154), differences of opinion existed as to the desirability of the proposed joint committee to be composed of representatives of SUNFED, the Bank, the Technical Assistance Board (TAB) and the United Nations. It had originally been proposed to keep the staff of SUNFED at a minimum by making full use of the existing personnel of those organizations. If that course were followed, the establishment of a joint committee would be both desirable and necessary. The joint committee would have to consist of representatives of the organizations whose personnel SUNFED wished to use. If SUNFED had an adequate secretariat of its own, the need for the joint committee would automatically disappear. In addition to the administrative divisions proposed, the formation of an independent division to screen applications for loans and grants might be desirable.

34. Mr. ARAGON (Guatemala) said that economic development was the essential issue of the modern world, a fact that was realized by Governments which were exerting themselves to increase their countries' capacity to produce goods and services and to raise levels of living.

35. According to the introduction to the annual report of the Secretary-General for 1955-1956 (A/3137/Add.1), the poor countries had become even poorer, and some of the most important economic and social problems were almost as far from solution as they had been ten years previously despite various governmental programmes. So far, insufficient resources had been available to attain the objectives set forth in Article 55 of the Charter of the United Nations, largely as a result of the fact that the great industrial Powers subordinated the economic problems of the under-developed countries to international politics. The important work done by the United Nations during the first ten years of its existence was little when compared with the great task before it. The decisive action required, in addition to national measures, to increase the rate of economic growth had not been taken. One step that should be taken immediately was the establishment of SUNFED.

36. Guatemala had for some years been seeking to place its economy on a sound basis. The recommendations submitted to the Government in 1951 by the Bank³ had, for various reasons, been only partially

carried out, and in 1955 a new five year plan, aimed at raising the standard of living of the population, had been drawn up by the National Council for Economic Planning. It was hoped that during the five year period the total volume of investments would average 15 per cent of the gross national product, provided additional foreign capital were forthcoming.

37. Approximately half the economic projects of Guatemala corresponded to public works which aimed at improving the national infrastructure. The public investment programme would be financed partly from the national budget—60 per cent—and partly from loans from the Bank and from the United States International Co-operation Administration—40 per cent. Guatemala's ambitious public investment programme was designed to stimulate private enterprise, which had a basic role to play in economic development. Such measures as the execution of infrastructural projects, the maintenance of monetary stability and the strengthening of the national credit system served the same purpose.

38. Industrialization was the major aim of economic planning in Guatemala, but in that respect many difficulties had been encountered owing to the restricted national market. For that reason the projected economic integration of Central America was of special significance and, by offering a larger market, should act as a stimulus to foreign investments. His country favoured the proposals put forward by the Secretary-General for a programme of work on industrialization and productivity (E/2832) and shared the views expressed by the Colombian delegation at the 402nd meeting of the Committee with regard to international tax problems. Taxes on foreign undertakings in Guatemala were moderate, and recent legislation had made further concessions possible.

39. His delegation was convinced of the need for the rapid establishment of SUNFED, and hoped that the financial difficulties standing in its way would soon be overcome. Although loans, especially low-interest loans, would have an important part to play in the operations of SUNFED, greater emphasis should be placed on grants. Countries receiving them should be required to put back in local currency the sums thus constituted, to be used to finance further infrastructural projects at a later stage and in accordance with a long-term economic plan. The initial impetus given to the economy by the original grant would thus be preserved and greater stability assured.

40. The Special United Nations Fund for Economic Development should be constituted as an independent body of the United Nations, but closely linked with TAB. It should have a general assembly of its own composed of all member countries with equal voting rights. Co-ordination was of primary importance; there should be the closest possible co-operation between all the international bodies working on behalf of the under-developed countries and between those bodies and the recipient countries. The Special United Nations Fund for Economic Development should be carefully fitted into the general pattern so as to avoid any waste of effort.

41. Mr. K. AHMED (Pakistan) said that international assistance to the under-developed countries, though greatly needed and of vital importance, should be supplemented to a large extent by the resources and efforts of those countries themselves.

42. Lack of finance was their biggest problem. The countries of South Asia, in particular, required im-

³ International Bank for Reconstruction and Development, *The Economic Development of Guatemala*, Washington, D.C., 1951.

mense amounts of capital—perhaps 50 per cent of all initial investments—to finance non-self-liquidating projects, which unfortunately were not considered credit-worthy by existing international financial organizations. However, such projects considerably alleviated the economic burden of the under-developed countries by creating additional employment opportunities and should receive greater attention in international financial planning.

43. The \$250 million needed to launch SUNFED obviously could not be raised without the participation of most of the highly industrialized countries. Everything possible should be done during the present session to bring the establishment of SUNFED nearer to realization. However, in the long run, it was on industrialization that Pakistan and other under-developed countries pinned their hopes, since a sound industrial foundation was essential to sustained development. It was gratifying that due weight had been given to industrialization as a means of alleviating the plight of the under-developed countries and credits for the new work programme in that field as submitted by the Secretary-General would surely be authorized by the current session of the General Assembly. His delegation agreed with the Secretary-General that projects could best be undertaken through *ad hoc* consultants who would serve either in their individual capacities or as members of working groups on specifically defined subjects in the field of industrialization.

44. His Government fully realized the need for increased diversification of the national economy. During the eighteenth months ending 30 June 1956, prices of jute and cotton—two of Pakistan's major exports—had declined by 6 per cent and 4 per cent respectively, while, chiefly owing to increased freight rates, the average price of exported manufactured goods had risen by 4 per cent. With the closing of the Suez Canal freight rates would go up still further. As most raw materials were carried in foreign vessels, the burden of higher freight rates fell almost exclusively on the under-developed countries.

45. Technical assistance played an important role in economic development. The task of financing it, previously assumed by private capital, had now been largely taken over by the United Nations and the specialized agencies, and they had done much to raise productivity in the under-developed countries. Similarly, the Colombo Plan had made a significant contribution to the development of the South and South-East Asian regions.

46. Given the present interdependence of the world economy, the advancement of the under-developed countries was of interest to all. The recent tragic events in Eastern Europe and the Middle East owed their origin primarily to the economic instability of those areas. The failure of the major Powers to assist the economically backward areas of the world inevitably led to serious social disturbances and political insecurity. It was to the credit of the United Nations and its subsidiary bodies that they realized the danger inherent in a world of which one half was rich and the other half poor.

47. The Government of Pakistan had sought to create a favourable climate for foreign investment so as to supplement the resources available for development. Measures taken included changes in the tax structure, facilities for unrestricted remittance of profits, adequate compensation in the event of nationalization, and special

agreements with the United States and the United Kingdom. A Bureau of Business Facilities and Information had been established for the purpose of rendering assistance to potential foreign investors. It was also hoped that the International Finance Corporation which had just begun operations would further stimulate foreign investment in Pakistan.

48. Pakistan had made continued progress in its economic development during the past year. The balance of payments situation had improved and the revaluation of the Pakistan currency had led to a significant recovery in exports, following the setback sustained after the Korean conflict. With further increases in the volume of exports of jute, tea, hides and skins and raw cotton, total foreign exchange earnings might increase in the coming year in spite of the general decline in export prices.

49. The tempo of industrialization was increasing both in the public and in the private sectors. The index of industrial production covering seventeen major industries had risen from 285 in 1954 to 350 in 1955.⁴ Pakistan had now attained self-sufficiency in several consumer goods, and efforts were now being made to promote the export of surplus manufactured goods.

50. Improvements in production had been made at the cost of drastic cuts in non-essential imports. To a certain extent inflationary pressures had been checked. Such pressures were particularly serious in the under-developed countries when food crops fell short of requirements. In that respect the proposals for a world food reserve should be examined with care.

51. Pakistan's first five year plan, which was now in the draft stage, was designed to increase the country's economic self-sufficiency. It sought to increase the national income by 20 per cent in five years and to provide employment for about 2 million during that period. It called for increasing economic development by 1960 to a level two or three times higher than at present. In designing the plans, special attention had been given to East Pakistan which had suffered from neglect and exploitation for two centuries before partition, to the less developed areas of West Pakistan, and to the tribal areas. To attain the target set in the plan, an investment of 11,600 million rupees was proposed. As foreign credits were an important element in Pakistan's planning, his country hoped that improved world conditions would allow resources now used for armaments to be diverted to economic aid programmes.

52. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) said that the Cuban representative in his statement had made irresponsible attempts to discredit the socialist method of production. He had vainly tried to mislead members of the Committee and to sow discord by juggling with the facts and making insinuations. The use of such ignoble methods by the Cuban representative did not serve the interests of international economic co-operation in United Nations organs. The Cuban representative had allowed himself to use in the United Nations discourteous language about respected Members of the United Nations, calling them satellites. The Soviet delegation reserved its right to make an adequate reply to the malicious fabrications and insinuations of the Cuban representative.

53. It was regrettable that the representative of Cuba, wittingly or unwittingly, had chosen the present session to embark upon a bitter anti-Soviet campaign.

⁴ 1950 = 100.

The Cuban representative was displeased to see the countries of the socialist camp successfully building socialism and offering one another brotherly assistance in the construction of socialism and the raising of the standards of living of their peoples.

54. It could be concluded from the Cuban representative's statement that he would prefer Cuba to remain for a long time an agrarian raw material-producing

appendage to the economies of certain capitalist countries. That was only to be regretted.

55. In spite of the statement made by the Cuban representative, the Soviet delegation harboured no unfriendliness towards the Cuban people but, on the contrary, wished it every success in attaining independent economic development.

The meeting rose at 1 p.m.