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CONTENTS

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)) (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;*

(b) *Question of the establishment of a United Nations capital development fund: report of the Secretary-General;*

(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;*

(d) *Promotion of wider trade co-operation among States: report of the Secretary-General*

Land reform (continued)

General discussion (continued) 145

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. MATSUDAIRA (Japan) said that with the admission of many African States the need to expand the Economic and Social Council had become more evident. Those States were facing a long up-hill fight to improve their economies and their task was made more difficult by the rapid increase in their populations, by the rising expectations of their peoples and by their lack of trained technical and administrative personnel. Their special needs had been recognized in Council resolution 768 (XXX). In addition, certain under-developed countries, Morocco and Chile for example, had been the victims of natural calamities which seriously retarded their economic development. In the light of those tragedies, the Council had adopted resolution 767 (XXX) of which Japan, another frequent victim of natural disasters, had been a co-sponsor.

2. The economic development of the under-developed countries had always been a central theme of United Nations debates. Many representatives had repeatedly stated that the common objective of the under-developed countries was speedy development through industrialization. While appreciating that view, his delegation felt that over-emphasis on industrialization might impede agricultural development. Japan's own experience showed how important it was for the under-developed countries to raise their agricultural productivity as a means of accelerating industrialization. The under-developed countries' efforts to increase the competitive power of their agricultural exports—the main source of their foreign currency earnings—deserved every encouragement. If the less developed countries could supply the commodities it needed at competitive prices, Japan would be willing to shift its sources of supply in their favour, thus expanding and improving the balance of its foreign trade and reducing the exporting countries' need for external assistance.

3. The developing countries' urgent need for increased amounts of investment capital could hardly be over-emphasized. In that respect, it was gratifying that IBRD and IFC had increased their lending activities and that the latter had served as an instrument to mobilize private capital for economic development. By the end of 1960 Japan expected to become a major contributor to the International Development Association, an institution which would greatly facilitate the economic development of the developing countries without placing an undue burden on their balance of payments.

4. While sympathizing strongly with the developing countries' desire to establish a United Nations capital

development fund, his Government thought that two considerations should be borne in mind. Firstly, the International Development Association had been recently created with an initial capital several times greater than that envisaged for the abortive SUNFED and was expected to conduct its lending operations on flexible terms, thereby meeting the under-developed countries' requirements more satisfactorily. Secondly, such a fund should not be established without the active participation of the potentially major contributors. It would be premature for the United Nations to decide at the current session to establish a capital development fund. International co-operation in the field of capital investment would be most effectively attained by strengthening existing financial institutions, particularly IDA. His own country, which was still short of capital to meet the necessity of developing and consolidating its economy, was exerting its utmost efforts in rendering economic assistance to the developing countries through multi-lateral and bilateral channels. Japan's capital subscription to IMF and IBRD had increased. Besides, an enormous sum of war reparations had been remitted to certain Asian countries. Accordingly, Japan would be unable to make a further contribution to another international financial institution.

5. Apart from public capital, there were potentially large sources of private capital which could be tapped for the economic development of the developing countries. Private investment was usually accompanied by an inflow of technical and managerial skills and in that respect was more beneficial than public capital. Private capital was by nature wary of unfamiliar countries, particularly when demand was high at home or in more familiar countries. Expropriation of foreign investments in any country would have a negative impact on the entire inflow of private capital. The safety and profitability of private investment had to be reasonably assured and many capital-importing and capital-exporting countries had adopted successful measures for that purpose. Through such measures Governments could encourage but not control the international flow of private capital, which possibly explained the persistent imbalance in the geographical distribution of private investments and their tendency to follow rather than precede economic development. It was disappointing to note from the Secretary-General's report on the international flow of private capital 1958-1959 (E/3369) that the net capital receipts of Asia had declined, although the total outflow of long-term private capital from the main capital-exporting countries had continued at a high rate. It must be remembered that Asian countries, unlike those of other regions, had no regional development bank to supply them with public development capital and they should, it seemed, improve their political climate and adopt appropriate measures for attracting foreign private investment.

6. Stable international commodity trade was of course essential for the economic progress of the developing countries. His Government felt that the commodity-by-commodity approach was the most practical way of ensuring short-term stability. With regard to the compensatory measures for price fluctuations referred to in General Assembly resolution 1423 (XIV), his delegation awaited with interest the comments of the expert group and the outcome of the joint meeting between the Commission on International Commodity Trade and the FAO Committee

Problems. The stability of commodity trade could be promoted through the maintenance of economic growth in the industrial countries. The 1957-1958 economic recession with its disastrous effect on commodity trade had proved that such growth was far more important than financial and technical assistance to the primary exporting countries. Trade was more important than aid. It was illogical to give aid for economic development and then refuse to import the products of countries receiving such aid. Japan had proved to be one of the major importers of primary commodities. In 1957, 1958 and the first half of 1959, Japan imported about 50 per cent more primary commodities than all the centrally planned countries.

7. In 1959 and 1960 the Japanese economy had been characterized by a remarkable increase in production, stable prices and a favourable balance of payments, which had been made possible by a large increase in gross national demand, a surplus in manufacturing productivity, an abundance of labour and a high rate of private savings. The Under-Secretary for Economic and Social Affairs, whose statement (646th meeting) had painted a rather sombre picture of the world economic situation, had detected ominous signs in the United States and Canada. Japan's rapid growth seemed to have slackened since March 1960. Its annual rate of growth for 1961-1963 was now expected to be 9 per cent, which was much lower than in 1959 (16 per cent) but higher than the average for 1923-1929 (5.1 per cent) and 1950-1958 (7.9 per cent).

8. In spite of its steady post-war growth, Japan had two problems to face. The first was the liberalization of trade, a difficult and complex process. The IMF had recommended such a step but had not advocated complete abolition of foreign exchange control, rightly taking into account the special circumstances of Japan's industrial structure. Secondly, it must change its industrial structure. Besides rationalizing the management of such industries as gold-mining, copper, tin and nickel, which were vulnerable to international competition, Japan had to expand such high-grade industries as electronics, petro-chemicals and automobiles as well as increase agricultural income through modernization and mechanization. Labour had to be transferred from low-productivity to high-productivity sectors and the geographical redistribution of industry had become urgent.

9. In the period 1953-1959 Japan's export trade had increased by 170 per cent while world trade had increased by 36 per cent. The rise had been particularly marked in such fields as machinery and equipment but, with the exception of shipbuilding and engines, heavy industry exports were lagging.

10. All national economies were interdependent and in a world economy which was inclining more and more towards liberalization the international competitive power of national products must be strengthened. Japan had achieved that aim with some products but not with others. In a fast-changing world economy, to bring the latter up to the level of the former required technological innovations, initiative and vision.

11. Turning, finally, to the problem of long-term economic projections, he recalled that all the socialist countries, as well as many of the free-enterprise developing countries, had been formulating and imple-

menting long-term economic development plans to achieve a speedy and balanced growth of their economies. The salient feature of their plans was the emphasis on development in such sectors as agriculture, small-scale industries, communications, transport and private enterprises. Japan was now formulating a ten-year development plan, to begin in 1961, with the objective of doubling its national income. An annual growth rate of 7.2 per cent was envisaged. Concerning the long-term projection of the developing countries, his delegation stressed the importance of multi-dimensional projections so as to meet the fast changing economic and social conditions. His delegation also believed that the adjustment or co-ordination of long-term development plans of developing countries at regional level through the exchange of information was very useful. In that connexion, it was encouraging to note that the independent States of Africa were trying to make a regional approach to their development problems through the ECA. After regional adjustments had been made, economic plans could be brought before the United Nations to see whether they were mutually compatible in terms of world economic development. At the present stage, the United Nations or its regional commissions might not be able to effect such co-ordination but they could at least provide a centre for an exchange of information. His delegation hoped that the Organization, and particularly the newly established Committee for Industrial Development, would serve that purpose.

12. Mr. FRANZI (Italy) said that all countries, whatever their political ideology, should make a constructive contribution towards the solution of the two most important problems before the Committee: the intensification of international economic co-operation and the economic development of under-developed countries. While most speakers had adopted a conciliatory tone, certain delegations had not helped to create a climate of co-operation. Some speakers had considered the problem of economic development solely in terms of a demand for assistance from the industrial countries while others had sought to extol a particular social and economic system.

13. He did not intend to refute the statements of certain representatives of European countries in which post-war events had led to the emergence of totalitarian régimes. That the statistical data published by the United Nations might not always be accurate was undeniable. But the way to avoid such inaccuracies was, as the United Kingdom representative had pointed out, to give free access to all sources of information. In several documents the Secretariat had drawn attention to the inadequacy of the data available in the case of the centrally planned economies. It could hardly therefore be blamed if its assessment of Eastern Europe's share in current economic events was incomplete.

14. Nor did a flood of percentages related to constantly changing bases produce a convincing economic picture. And even among such percentages the Eastern European representatives hardly ever quoted consumption figures. His delegation concluded that the level of living in the communist countries was far from having followed the rising curve of production. Their Governments could easily have raised the levels of living of their populations but in keeping them low they had been prompted by political con-

siderations rather than considerations of social welfare.

15. His delegation warmly welcomed the Secretary-General's preliminary report on ways and means of promoting wider trade co-operation among States (E/3389). Every effort must be made to remove the obstacles to international trade, although the pattern of trade relations between the centrally planned economies and the market economies was not discouraging. Recent statistics confirmed the contribution which the Western European countries were making to the implementation of various development plans in the centrally planned countries by supplying them with industrial installations, machinery and equipment. In addition, they had allowed deferred credits and payments to take into account the balance-of-payments difficulties of the Soviet Union. Their contribution might have been even greater if the Soviet Union had had sufficient to offer in return and if the co-ordination of economic plans in the socialist countries had not been mainly aimed at the creation of a single autarchic system.

16. Turning to the problem of the economic growth of the under-developed countries, he shared the opinion expressed by the Indian representative (661st meeting) that economic development presupposed a stable government, good administration, able management and technical knowledge and that, as those conditions materialized, appropriate capital should be made available. His delegation also agreed that progress in the field of technical assistance had been satisfactory but that the time had come for a new surge forward with the help of increased resources. The representative of the United Arab Republic had noted (651st meeting) that in 1960 the Special Fund and the Expanded Programme of Technical Assistance would have allocated only 2 per cent of their funds to the newly independent African countries although the population of those countries represented 5 per cent of the total population of the under-developed areas. He hoped that the increase in contributions for 1961 would enable the new countries' needs to be met to a larger extent.

17. Italy had demonstrated its sympathy with the under-developed countries by contributing to the various organizations set up to promote their economic growth. In 1960 it had doubled its contribution to IBRD, increased its participation in IMF to \$270 million and had undertaken to participate in the International Development Association; in 1961 it would contribute \$2,250,000 to the Expanded Programme and the Special Fund. To those contributions should be added the increased grants, furnished on a bilateral basis principally to Somalia and Libya; state loans; special credits for financing Italian exports to the less developed countries; and private capital investment in those countries. The amounts might appear modest beside the growing needs of the under-developed countries, but were in fact quite considerable in the context of Italy's per caput income of little more than \$500 a year and the national effort and capital investment absorbed by its own under-developed areas. His Government would give favourable consideration to any constructive proposal to promote the economic development of the less developed countries.

18. He had listened with interest to the Indian representative's suggestions (661st meeting) and hoped

that they would be further elaborated with a view to subsequent discussion. As regarded the suggestion that repatriated profits should be set off against the initial capital transfer in assessing assistance to under-developed countries, he believed that the Secretariat's current practice was preferable. If the suggested procedure were adopted, the assistance value of reinvestments of interests and profits in the recipient countries would tend to be overlooked and the economic difference between loans and investments, on the one hand, and grants on the other, would tend to be obscured. The Indian representative had perhaps viewed the question in the light of the foreign currency difficulties of under-developed countries, and his own delegation would agree that capital, and especially public capital, should be made available on more favourable repayment and interest terms than those current, particularly in the case of long-term infrastructure projects. The Indian representative's contention that military aid should also be excluded from any evaluation of assistance to under-developed countries was valid only if the recipient country did not need such aid. Many under-developed countries were most grateful for the military aid they had received, since it enabled them to make productive use of resources which would otherwise have been required for defence. He did not agree that surplus foodstuffs should be valued in terms of the additional resources they released for development in the recipient countries and felt it would be more logical to base their value on their average world market price in the current year.

19. Much had been said about the contribution industrialized countries should make to the economic growth of the less developed countries and particular emphasis had been placed on the need for capital. It was sometimes assumed that as the necessary technical knowledge was already available or could easily be acquired from the industrialized countries, the only problem was to find the capital required to build industrial plants. However, for economic reasons, some production methods might not be suitable for the under-developed countries. In the industrialized countries, capital was in many cases relatively abundant while manpower was scarce and expensive, with the result that entrepreneurs were obliged to use capital-intensive methods such as automation. In the less developed countries, however, manpower was almost unlimited and largely unskilled, while capital was scarce. The capital-output ratio could not therefore be the same for countries at different levels of economic development, if production-factor availability was to be taken into account. The adoption in the under-developed countries of methods that were less capital-intensive would tend to reduce unemployment and dispense to some extent with the need for highly skilled manpower, which would continue to be scarce in those countries and would have to be recruited at high salaries from the industrialized countries.

20. His delegation believed that the United Nations and the specialized agencies could play an important part in promoting the economic growth of the less developed countries. It had welcomed the publication of the Bulletin on Industrialization and Productivity, which dealt with economic development potentialities in the light of production-factor availability, a subject he hoped would also receive the attention of the recently established Committee for Industrial

Development. It was in that spirit that Italy had offered to act as host to the United Nations Conference on New Sources of Energy and to make the technical experience gained in that field available to participants.

21. The under-developed countries were themselves primarily responsible for their economic development and should take part in the formulation of technical and economic assistance programmes. The regional economic commissions could make useful contributions in that respect and his delegation was in favour of increasing the membership of the Economic and Social Council to afford more equitable representation to the many countries which had recently joined the United Nations, without detriment to the representation of other geographical regions. It might be useful to consider the entirely satisfactory manner in which FAO had dealt with the problem of the enlargement of its own Council.

22. He recalled that in a reference to Italian assistance to Somalia, the Hungarian representative had commented (653rd meeting) that few would regard the expenses of colonial administration as economic assistance. He would point out that, under General Assembly resolution 289 (IV), the United Nations had entrusted the administration of Somalia to Italy in accordance with the clearly defined rules of the International Trusteeship System and that the administration of that territory could in no sense be described as "colonial".

23. Mr. PROKOFYEV (Union of Soviet Socialist Republics), in reply to the representative of Italy, said that the Soviet Union provided the Secretariat with very full economic information, which was adequate for United Nations economic studies, and could not be held to blame for the Secretariat's insufficient use of that information. The level of living in the USSR was steadily rising; the Soviet people and Government rejoiced in the successes of the Soviet Union in increasing the prosperity of the population and spared no effort to improve conditions still further. If the Western Powers would go some way to meet the Soviet position on disarmament, making agreement possible, the level of living could be much higher; the recent cut in the Soviet armed forces had released substantial resources, which were already being used to improve living conditions and housing. He reserved the right to reply more fully at a later stage.

24. Mr. DUDLEY (United Kingdom) observed that the Western countries were equally, if not more, anxious to achieve disarmament and the Western proposals were more likely to contribute to that goal.

25. Mr. PROKOFYEV (Union of Soviet Socialist Republics), replying to the observation of the United Kingdom representative, said that the Soviet Union's position on the disarmament question had been fully and clearly explained in plenary meetings of the General Assembly and in the First Committee. There was no need, therefore, to dwell on the matter again.

26. Mr. SERBAN (Romania) said, in reply to the representative of Italy, that he could not accept the implication that there was no democracy in the Eastern European countries and pointed out that in so-called democracies like Italy, the rich became richer and the poor became poorer.

27. Mr. MARCOS (Philippines) said that the major problem facing the modern world was the disparity between levels of living in the developed and the under-developed countries. The United Nations, its specialized agencies and other international institutions had adopted a multitude of resolutions and programmes to reduce that gap, and their practical achievements could also be regarded as substantial in view of their limited budgets. The body principally responsible for United Nations action in that field was the Economic and Social Council, whose membership had remained unchanged since 1946, despite the fact that the Organization's membership had almost doubled. With the recent admission of sixteen new African States, it had become imperative to enlarge the Council to ensure equitable geographical representation. Although the necessary revision of the Charter was the province of other United Nations bodies, his delegation believed that the Committee should strongly recommend such action to the General Assembly.

28. The main emphasis in the debate had rightly been placed on the economic growth of the newly independent under-developed countries, whose problems were vital and urgent, but he thought that a brief reference to the economic problems of the Philippines would be of interest to many other countries at the same intermediate stage of development. Steady progress had been made in the political, social and economic fields throughout the past half-century, but almost 50 per cent of the country's economic resources had been destroyed during the war and although, with general outside assistance, his country had made good many of the losses, its efforts had created serious balance of trade difficulties. A high level of education and facilities provided through the universities for training abroad ensured an adequate supply of trained manpower and there was no appreciable need for the kind of assistance provided under the Expanded Programme of Technical Assistance and the Special Fund. Power production, transport and merchant shipping were well advanced, while mining, timber, cement and other industries were developed and highly mechanized; the Philippines was a major producer of sugar, copra and hemp. It had, however, to meet the needs of a growing population, provide full employment and equal opportunities and raise living standards, and the solution lay in finding adequate export markets. Like other less developed countries, the Philippines was at present entirely dependent on the demand of the industrialized countries for its products and on the prices resulting from that demand. The stabilization of commodity prices was a matter of vital concern to primary producing countries like his own, which looked to the United Nations for appropriate action. His delegation had supported the creation of the Committee for Industrial Development and welcomed the interest in copra shown by FAO. The Philippines was in favour of reducing trade barriers that hindered free competition; the industrial countries had been reluctant to import his country's finished products, even when manufactured from local raw materials. Fairly liberal assistance had been received from IBRD, the Export-Import Bank and the United States Development Loan Fund, but it had not met the needs of accelerated development, and foreign investors had shown little interest in his country. Substantial balance of pay-

ments deficits had adversely affected economic and social stability.

29. The needs of the developing countries were not identical. He would therefore suggest that the United Nations and specialized agencies should classify countries according to their level of development and study their special requirements and problems. A United Nations capital development fund would, for example, be of greater value to partially developed countries like his own than technical assistance in depth or pre-investment assistance of the type offered by the Special Fund. Such countries had advanced beyond the stage of pre-investment, possessed adequate raw materials, labour and trained personnel, and needed only capital. It was true that the needs of the new countries were urgent and he had every sympathy for them, but he feared that countries at the intermediate stage of development tended to be overlooked, to the detriment of integrated world economic development.

30. For the smaller countries, the problems of economic assistance seemed a more profitable subject for discussion and action than the more dramatic political issues interminably and fruitlessly debated in the United Nations, while the grim realities of poverty remained. The prevailing sense of frustration might in some measure be dissipated if constructive action could at least be taken in the Second Committee and the Economic and Social Council.

31. Mr. MAHDAVI (Iran), reviewing the world economic outlook, said that the continued drop in the primary commodity index during the first quarter of 1960 must be regarded with anxiety, for it was adversely affecting the balance of trade and foreign currency earnings of many under-developed countries, and gravely jeopardizing the rational and sustained execution of their development plans. The wide fluctuations in primary commodity trade also tended to disrupt such programmes, and his delegation was therefore awaiting with interest the conclusions of the group of experts appointed to study international measures to assist in offsetting such fluctuations.

32. The decline in the primary commodity index had extended to the petroleum market, thus directly affecting the development plans of the many countries, including his own, whose economic development plans had been made in the expectation of stable petroleum prices. In the past twenty months, the price of petroleum had been cut twice without so much as prior notice to the countries concerned. In an effort to counteract the effects of those reductions, a conference of petroleum exporting countries had been held at Baghdad and had adopted a resolution calling for co-operative efforts to preserve stable prices and to achieve a restoration of the price level existing before the reductions.

33. The continued deterioration in the terms of trade of the under-developed countries was also a matter of concern, for the expansion of their trade was essential to their economic growth. Measures to foster expansion of the export markets of under-developed countries could also contribute substantially to the growth of their economies. At the same time, statistics showed that the gap between the per caput national incomes and rates of growth of the industrialized and of the less industrialized countries was increasing steadily, partly because of the rapid

increase in population during the past decade. That imbalance in the world economy and the resulting deep division in the community of nations underscored the need for greater economic co-operation. Although economic development was essentially the task of the under-developed countries themselves, those countries were unable to finance the necessary rate of economic growth from their own resources, and concerted international action was therefore essential. As the debate at the thirtieth session of the Economic and Social Council had emphasized, the raising of standards of living, especially in the developing areas, was an international responsibility.

34. The activities of the Expanded Programme of Technical Assistance over the past decade, and the progress made by the Special Fund during its first eighteen months of existence, deserved the Committee's appreciation. With increased contributions, the Special Fund was bound to play an important part in increasing productivity in the low income countries. As the Under-Secretary for Economic and Social Affairs had pointed out (646th meeting), the total volume of international financial assistance to the under-developed countries had regularly increased over the past five or six years by 15 per cent per annum, and had not been subject to the fluctuations which had affected other sources of foreign exchange earnings. That fact indicated the increased willingness of Governments to take concerted international action for economic development. Although it was expected that the International Development Association would promote the further expansion of such a system, capital requirements were so great that the international community should make further efforts to meet them. In particular, every effort should be made to increase the possibility of the participation of the great Powers in an agency on the lines of SUNFED.

35. Noting the important part which private foreign investment could play in the economic development of the less developed countries, he remarked that the rate of flow of such investments was still far from adequate. Moreover, foreign investors tended to discriminate between the different sectors of economic activity of a given State. His country had taken many measures to encourage foreign investment but, except in the petroleum industry, the rate of foreign investment had not been very encouraging.

36. His country had been one of the first in its region to embark upon a programme of land reform, conceived as part of a wider process of social and economic reform. The main emphasis of the programme had been on the improvement of existing forms of land tenure, increased agricultural productivity and an improvement in the living conditions of the rural population. Land reform had never received the attention it deserved in the United Nations as one of the important factors in the economic development of under-developed countries. His delegation therefore looked forward to detailed discussion of the question in the Committee, and hoped that the discussion would lead to specific measures.

37. Mr. RODRIGUEZ (Chile) said that, during the fifteen years since the United Nations had been established, the problem of economic development had moved to the forefront of its concerns and a series of studies and analyses of the process of economic growth had been carried out, which were making it

possible to determine the conditions which might facilitate such growth. At the same time, the United Nations had taken practical steps, chiefly in the field of technical assistance and international financing, which had undoubtedly contributed to that growth, but which fell far short of meeting existing needs. It was plain that the international community must redouble its efforts and lay greater stress on the urgent need for action.

38. One of the most important factors preventing greater progress towards a solution of the development problem was the cold war, for the fear of a new international conflict had impeded full use of the available resources to meet the growing needs of development. That was why most of the countries of the world were eager to see a settlement reached which would make it possible for the international community to devote itself more fully to the task of raising the standard of life of the world's peoples.

39. His country had taken part in the recent meetings of the Economic and Social Council at the ministerial level and felt that the experiment should be continued with a view to strengthening the Council's action and helping to achieve its objectives.

40. His delegation would congratulate the Under-Secretary for Economic and Social Affairs on his statement to the Committee, which represented an important contribution to its work, and wished to record its confidence in the impartiality of the Secretariat's economic staff.

41. Turning to the specific problems of economic development, he noted that in view of the general agreement that such development must take place primarily through the efforts of the countries concerned, priority should be given to the question of foreign trade, which determined whether the developing countries would have incomes adequate to finance their growth programmes. In view of the steady deterioration in the developing countries' terms of trade, it was urgently necessary to study and negotiate formulas for stabilizing commodity prices at an adequate level. In that connexion, his delegation was looking forward with interest to the conclusions of the group of experts appointed to study the possibilities of compensatory financing to offset fluctuations in export income.

42. As a supplement to national efforts, the financing of economic development required the support of outside aid, both public and private. In the field of public financing, his delegation noted with satisfaction the increased activities of IBRD and IMF. Monetary stabilization, such as was being achieved in a number of countries, including his own, was a prerequisite to a sound development policy. His delegation also had great hopes for the future activities of the International Development Association and of the Inter-American Development Bank, the importance of which had been underscored by its designation as the chief agency for the administration of the special inter-American fund for social development established by the United States.

43. In spite of the establishment of those new agencies, the international machinery for public financing remained inadequate to the dimensions of the problem, and his delegation continued to believe that it was necessary to establish a United Nations capital development fund. In the light of the Organization's

experience with the Special Fund, his delegation thought that an *ad hoc* committee should be established to study and propose definite plans to that end. It might also be useful for the Secretary-General to draw up a report on the international financing machinery already in existence and its adequacy as compared with the needs.

44. In connexion with the international flow of private capital, which was becoming increasingly important to the less developed countries, his delegation considered that the specialized organs of the United Nations could render valuable assistance by considering such steps as measures to promote increased participation by private capital, particularly from Western Europe, in the work of economic development; the elimination or reduction of restrictions on the export of capital from the chief capital-supplying countries; consultations with the capital-supplying countries on the possibility of stimulating a greater flow of investment; the development of world and regional sources of information on the subject; the conclusion of treaties eliminating double taxation and the enlargement through international conventions of tax concessions intended to attract new capital; the organized exchange of economic and trade information for the purpose of increasing private investment; and continuing and detailed technical studies of the movement, composition and volume of gross and net inflows and outflows of private capital throughout the world.

45. His delegation had noted with interest the Secretary-General's preliminary report on the promotion of wider trade co-operation. It was regrettable that the Secretary-General had not begun the twofold task entrusted to him under resolution 1421 (XIV) with an analysis of the trade relations between the economically under-developed countries and those at a relatively advanced stage of economic development, since such a study would have been useful to a greater number of Member countries than the report on trade relations between the countries with planned economies and those with market economies. It hoped that the complete report would be available at the next session of the Economic and Social Council. Although his delegation regarded as a hopeful development the establishment of economic groupings whose declared purpose was to promote the development of the participating countries and increased world trade without discrimination against outside countries, it could not but be apprehensive regarding the effects of the new groupings of industrial countries, especially in their initial phase, for the adoption of protectionist measures by those groups would necessarily have a serious effect on the primary producing countries. In its opinion, the United Nations should take up the question and consider means of checking the increasing division of the world into economic blocs and transforming it instead into a demonstration of genuine co-operation between States.

46. Mr. WODAJO (Ethiopia) said that man's quest for the good life, and the changed meanings attaching to that concept, had been a fundamental phenomenon of history. In the late nineteenth century, mankind had learned that its concept of the good life, conceived in terms of freedom of choice in the economic and political spheres, did not satisfy its expectations, and a new philosophy had come to the fore which held that the solution to the exploitation of man by man lay in

giving society control over all the means of production. In the first half of the twentieth century that new philosophy had found practical expression in many parts of the world. At present, however, the greater part of the world, long dormant under colonial domination, was reawakening. The countries involved faced different problems from those discussed by the representatives of the contesting ideologies, for they had never known either the evils or the blessings of domestic capitalism. They were therefore not so much preoccupied with making an ideological choice as with finding practical ways and means to meet the demand of their peoples for a better life. Consequently, they could not adopt an exclusive or dogmatic approach to economic development and accept either private enterprise or state direction alone as the only road to economic salvation.

47. For some parts of the under-developed world, and particularly for Africa, the events of the last two years had not been heartening. The economic groupings which had come into being in Europe had raised fears in Africa, while the continuing deterioration in the terms of trade of the less developed countries was an even more disquieting phenomenon. He urged the Committee to address itself to that crucial problem and to make some specific proposals for dealing with it.

48. Although the volume of world trade had increased, trade among the under-developed countries still remained very meagre. In spite of the inherent limitations on the development of such trade, his delegation believed that that was an area in which the under-developed countries could fruitfully co-operate.

49. In view of the deterioration in the less developed countries' terms of trade, the need for economic and technical assistance to those countries could not be overstressed. It had been suggested that if the under-developed countries created a more favourable climate for investment, the flow of private capital would meet most of their problems. His country's experience in that respect had not been encouraging. The record showed that in spite of special inducements, private capital was attracted to those areas of investment which promised immediate returns. Moreover, the small size of the domestic markets in the under-developed countries had been a limiting factor on the inflow of private foreign investment. His delegation did not think that in the difficult years which lay ahead for the under-developed countries the flow of private capital would be adequate to meet their needs, and would therefore emphasize the need for more economic and technical assistance of a public nature.

50. In order to ensure the participation of Africa in the economic work of the United Nations, his delegation felt that consideration should be given to an equitable geographical distribution of seats in the different organs of the United Nations. If, for any reason, an increase in the Economic and Social Council's membership could not be made in the near future, his delegation would, pending such an increase, press for the reallocation of the present seats on the basis of equitable geographical distribution.

51. His country was engaged in a monumental task of economic development. Although it was aware that that development must in the last analysis be financed by its own resources, it had accepted external assist-

ance from friendly countries, including the United States, the Soviet Union and Yugoslavia. It would like the United Nations to carry forward its aim of promoting economic development by taking a decisive

step in the establishment of a capital development fund.

The meeting rose at 6 p.m.