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**SECOND COMMITTEE, 648th
MEETING**

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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);*

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(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. PAVICEVIC (Yugoslavia) observed that political and economic developments during the past year in Africa and elsewhere had shown that national independence and the speeding up of economic development formed a single, indivisible process. It was therefore incumbent on the international community to ensure that all countries not only attained political independence but also became economically independent. For some years the Second Committee had been considering how to achieve that objective. In point of fact, the structure of the world economy remained as it had been in a by-gone age, when the world had been divided into a small group of industrial countries and a larger group of primary producing countries. That international division of labour, which had corresponded to the political division of the world at that time, had become outmoded. Moreover, present-day economic relationships constantly aggravated existing imbalances and caused international economic and political clashes. The world was passing through a transitional period characterized by the incongruity between political independence and the position in the field of economic relations; thus the question of what international measures should be taken to alter those relations was of cardinal importance. It was a matter of promoting the economic independence and development of the under-developed countries by applying a series of measures relating on the one hand to commodity trade and on the other to international financing.

2. As far as primary commodities were concerned, experience in the post-war period had shown that, contrary to expectations, the reduction in economic fluctuations in the industrial countries had not improved the terms of trade for the primary producing countries. Similarly, the upward trend in production in the industrial countries had not resulted in higher prices for primary commodities. On the contrary, the recent trend had been downward, while the prices of manufactured goods had been rising, so that the terms of trade had become still more unfavourable for the under-developed countries. It was sometimes said that that state of affairs was caused by the interplay of supply and demand but in actual fact it was due first and foremost to the economic and political measures taken by the Governments of the industrial countries, both general measures which influenced the state of the economy in those countries and protectionist measures applying to agriculture and raw materials. According to the discussions in FAO, the outlook was favourable for two only of the twelve groups of agricultural products; for two others it was uncertain and for the remaining eight, including cereals, it was distinctly unfavourable. Sooner or later that state of

affairs would recoil upon the industrial countries, whose long-term prospects largely depended upon a rapid growth of exports to the under-developed countries. That meant that the adoption of measures to improve the conditions governing exports from those countries would be in the interests of the world economy as a whole.

3. In the past few years the economic organs of the United Nations had devoted a great deal of attention to the study of compensatory financing, in other words, to the financing of deficits in the under-developed countries' balance of payments caused by fluctuations in the commodity markets. It was a matter of particular urgency to find some way of financing those deficits, because of the deterioration in the terms of trade of the under-developed countries and the ever increasing concentration of foreign currency reserves in the industrial countries. When compensatory financing was studied, attention should be paid not only to the question of how the deficits could be made good but also to ways of reducing disturbances in the world commodity markets. That could perhaps be achieved by granting commodity exporting countries credits to make it easier for them to carry out national stabilization programmes; in that way, today's paradoxical situation, in which the industrial countries were in a position to carry out such stabilization programmes successfully, while the under-developed countries were mostly unable to do so, would to some extent be remedied. Such a measure would probably make it easier to co-ordinate the various stabilization programmes, which was a prerequisite for greater stability in international commodity trade. To achieve that objective, arrangements would have to be made for frequent consultations, which might well lead to the conclusion of agreements dealing with individual commodities.

4. He drew the Committee's attention to the measures envisaged by the members of the European Economic Community. They might well adversely affect other countries' exports, particularly in the case of agricultural products, and they intensified the agricultural protectionism of each of the Member States, which was already very pronounced. Admittedly, particular groups of countries were sometimes justified in striving to achieve closer economic integration. But one was bound to view with misgiving integration measures which might seriously disturb the economies of non-member countries. It would be well for the United Nations to study the international implications of integration movements and to lay down the principle that such movements must not be detrimental to the interests of the world economy and in particular to those of exporters of agricultural produce and raw materials.

5. The under-developed countries' best hope of achieving economic independence lay in industrialization, which was the only way of securing a general diversification of the economy, as was proved by the economic progress achieved by Yugoslavia since the end of the war. In fulfilment of a plan, Yugoslavia had established a large number of modern industries and had built up a socialist society characterized by worker management of enterprises. From 1953 to 1959 its industrial production had increased at an average rate of more than 13 per cent a year, which had enabled it to introduce modern methods into agriculture. Under the current five-year plan annual agricultural production had increased by 40 per cent as compared with

the average for the period 1951-1955. That advance was largely due to the large farms managed by the workers themselves and to the co-operatives, which rendered the peasants valuable services by making available to them machinery, seed and so forth. The new forms of co-operation governing relations between the peasants and the co-operatives made it possible to use up-to-date methods of production. That was how Yugoslavia had achieved one of the highest rates of economic growth. It hoped to keep its national income growing at a rate of 11 per cent per year, which meant that during the coming five years its industrial production would increase by approximately 80 per cent and its agricultural production by about 50 per cent.

6. In his delegation's view, United Nations economic bodies should give greater attention to the problem of the industrialization of the under-developed countries. The Economic and Social Council's Committee for Industrial Development should stimulate international financial assistance and technical co-operation to promote industrialization, thus supplementing the work already undertaken by the regional economic commissions, the Special Fund, the United Nations programmes of technical assistance and the specialized agencies. At its present session the General Assembly might also encourage the implementation of programmes of land reform in under-developed countries. In many cases land reform was urgently needed and, in order to be successful, must be backed by such measures as the organization of technical services, the provision of credit facilities and the formation of co-operatives.

7. Industrialization and land reform were essential elements in the policies of all countries. It was important to obtain qualitative and quantitative information concerning the various trends in production, consumption and trade throughout the world. In that respect, the initiative taken by the Indian delegation at the previous session^{1/} had enabled the Second Committee to pave the way for important activities. The proposed projections would be valuable to all concerned with the planning of economic development, particularly in under-developed countries. His delegation hoped that the work of the Secretariat and the specialized agencies on long-term economic projections would be speeded up to the fullest possible extent.

8. With regard to the international financing of economic development, it was important that the flow of capital, which in the previous century had resulted in a division of the world economy into two sectors—one industrial and the other raw material-producing—reflecting the political division of the nineteenth century world, should today contribute to the economic emancipation of the under-developed countries, whose political position in the world was now completely different.

9. In view of the magnitude of the task, foreign private capital could obviously play only a secondary role in the under-developed countries and the latter were obliged to rely increasingly on public capital to carry out their investment programmes. Some progress had been made, but despite the increase in the capital of the International Bank for Reconstruction and Development and the foundation of the International Development Association and the Inter-American

^{1/} See General Assembly resolution 1428 (XIV) and Economic and Social Council resolution 777 (XXX).

Development Bank, the total volume of public capital available to the under-developed countries was insufficient to meet their most urgent needs and was not increasing rapidly enough to offset the losses they sustained as a result of the deterioration in their terms of trade. Their losses in foreign currency earnings were in fact greater than the total volume of the international assistance they received.

10. In the circumstances it was clearly impossible for the under-developed countries to extricate themselves from their present plight and to close the development gap that separated them from the rich countries without increased international financial assistance. In that context it was desirable that the General Assembly should formulate and affirm the principle, often enunciated by the representatives of under-developed countries, that international financial assistance from public sources should be for economic development and should be given without any political conditions. The provision of such assistance was essential, in the interests of the under-developed countries and of the world economy as a whole. It was therefore an obligation incumbent on the industrial countries and was of special concern to the United Nations, which was required by the Charter to promote world economic and social progress. For those reasons the establishment of a United Nations capital development fund, to which the General Assembly had agreed in principle exactly ten years ago, was more necessary than ever. The question was not whether yet another body should be set up to deal with economic assistance to under-developed countries. The real issue was whether the Organization should possess an instrument capable of carrying its principles into effect, or whether it should confine itself to theoretical declarations, leaving the countries and organizations concerned free to decide what policy they would follow.

11. The admission of the new African countries to the United Nations and the expected emancipation in the near future of the remaining Non-Self-Governing Territories gave added urgency to the expansion of international financial assistance and, more particularly, the establishment of the Special United Nations Fund for Economic Development (SUNFED). Under the Charter, the United Nations had special responsibilities towards former Non-Self-Governing Territories. Moreover, the newly independent nations wished to develop their countries and to decide their own economic policy. They had emerged from the colonial system and must now be given access to international financial assistance. The General Assembly should therefore affirm in principle the right of newly-independent countries to economic assistance and formulate practical recommendations based on the requests made by the African countries themselves.

12. The newly-independent countries also needed technical assistance and in that field the United Nations

should concentrate its initial efforts on the vocational training of local personnel. The African countries themselves might request the Organization to develop a large network of institutions for personnel training and the Special Fund might be entrusted with the execution of such a programme. As the United Nations had simultaneously to provide assistance for the newly-independent countries and to expand its programmes in other regions, the resources of the Expanded Programme of Technical Assistance and the Special Fund would have to be substantially increased.

13. In view of the extent and the urgency of the needs of the under-developed countries, it was clear that several thousand million dollars should be made available annually for international financial assistance, as well as hundreds of millions of dollars for technical assistance. In that situation, while every effort should be made to encourage a greater flow of capital into the under-developed countries, it was also necessary to seek an over-all solution to the problem of economic under-development. In a world in which over \$100,000 million was spent annually on armaments, despite the wide-spread recognition of the need for concrete disarmament measures, while disease and hunger still took a heavy toll of human life, and the disparity in levels of economic development persisted and was accentuated, it was impossible to ignore the relationship between expenditure on armaments and the resources needed for economic development. His delegation entirely agreed with the representatives and Heads of Government who had drawn attention to the need to use part of the resources released by disarmament to accelerate economic development throughout the world.

14. A lasting peace presupposed a world of free and equal nations, and such a world could not be founded on the economic principles that had formed the basis of international economic relations in the past, when only a minority of the world's population had enjoyed political independence. The process of political emancipation must therefore be accompanied by the establishment of new economic relations. An immense task lay ahead in the field of trade, particularly commodity trade, in the international financing of economic development and industrialization, and in the field of technical assistance. Surveys, conferences and statistics were undoubtedly of value, but the world also needed vigorous and practical action. The under-developed countries were not asking for charity; they were demanding what was theirs by right. Like peace, prosperity was indivisible. The countries with advanced technology, financial resources and economic wealth were not being asked to solve a humanitarian problem but to safeguard peace, since the unjust division of the world into rich and poor countries was a source of grave potential danger to all mankind.

The meeting rose at 11.40 a.m.