

United Nations
**GENERAL
ASSEMBLY**

FIFTEENTH SESSION

Official Records



**SECOND COMMITTEE, 680th
MEETING**

Wednesday, 16 November 1960,
at 10.50 a.m.

NEW YORK

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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):

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CONSIDERATION OF DRAFT RESOLUTIONS (A/C.2/L.465) (continued)

1. Mr. SMID (Czechoslovakia) felt obliged to state his delegation's views on the international division of labour, which the previous meeting's discussions had shown to be a complicated and controversial problem. The Czechoslovak delegation agreed whole-heartedly with the views expressed in that connexion by the representatives of Afghanistan and the United Arab Republic; it particularly applauded the United Arab Republic representative's criticism of the theory of comparative production costs. According to that theory, the international division of labour and international trade were a function of the relative levels of production costs in the various countries and depended on such factors as climatic conditions, the degree of economic and technical development and the standardization of production. It was, of course, true that in each country there were different conditions which exerted some influence on the structure of international trade. In fact, however, the international division of labour depended upon the organization of society and of production. Examples which could be quoted in that connexion were Cameroun, which possessed oil and coal and was still an economically under-developed country, and Indonesia, which possessed an extensive system of waterways but was unable to develop its production because of a shortage of shipping. Those facts were not the result of economic necessity but of monopolist pressure which had prevented those countries from developing their resources. In reality, the level of production costs in the various countries was directly dependent upon the international division of labour.

2. Industrial production was concentrated in certain developed countries, while many colonies remained essentially agricultural regions. The effect of that system was to accentuate the difference in production costs. The theory of comparative production costs served the interests of the monopolies, which preferred the less developed countries to remain one-crop economies supplying raw materials and forming markets for their manufactures. That was why the capitalist countries claimed that the under-developed countries would gain nothing by developing their industry, particularly their heavy industry. That was a paradox. Despite the difficulties encountered by the under-developed countries in seeking to transform their economies, experience showed that by diversifying their economies they could secure their economic independence and consolidate their political independence. Even in the Western countries, economists were beginning to criticize the theory of comparative production costs. The trade relations which had been established between the socialist countries had enabled them to organize a satisfactory division of labour.

3. Mr. GREEN (New Zealand) explained that he had submitted a sub-amendment (A/C.2/L.500) to the amendment of Afghanistan and the United Arab Republic (A/C.2/L.487/Rev.1) in order to take into account the fact that certain countries preferred to offer their assistance in the form of grants. The sub-amendment submitted by Canada (A/C.2/L.499) was not altogether satisfactory because it made no provision for cases in which certain countries might prefer to provide assistance solely in the form of grants. It was the prerogative of Governments to decide the form in which they wished to offer their assistance, whether grants or loans or a combination of the two.

4. Mr. DANGEARD (France) said that his delegation was in favour of the Czechoslovak draft resolution and the amendments submitted by Afghanistan and the United Arab Republic (A/C.2/L.487/Rev.1), Canada (A/C.2/L.498 and 499), New Zealand (A/C.2/L.500) and the United States (A/C.2/L.486). The French Government was aware of the necessity of increasing low-interest medium- and long-term credit and where necessary giving such assistance in the form of grants. In 1960, the assistance which the Assistance and Co-operation Fund would give to certain African countries in the form of grants would amount to \$100 million. The French Government had also set up a central economic co-operation fund which would make loans amounting to \$40 million for varying terms at an interest rate of 2.5 per cent. It had also set up a new fund for long-term government loans to all States, to finance specific projects or, more generally, to complete the financing of a general programme of economic development.

5. In connexion with operative paragraph 2 of the draft resolution, the French delegation suggested that there should be a reference to increasing the share of the less developed countries not only in world trade but also in the world production of industrial products. The French delegation would vote in favour of the draft resolution, whose objectives it approved and was making every effort to achieve in its decisions on economic policy.

6. Mr. MAKEEV (Union of Soviet Socialist Republics) emphasized the importance of the initiative taken by the Czechoslovak delegation in regard to the granting of long-term low-interest loans for financing the economic, and more especially the industrial, development of the less developed countries. Paragraph 2, on changing the structure of the international division of labour, was also extremely important, because only through such changes could the less developed countries obtain economic independence.

7. The Soviet Union followed the practices recommended in the draft resolution in its relations with economically under-developed countries. It made loans at 2.5 per cent interest repayable over a twelve-year period, out of the traditional exports of the less developed countries. Those terms had no dangerous repercussions on the less developed countries' balance of payments. It was deplorable that many capitalist countries and international organizations such as IBRD and IMF made loans at 5 or 6 per cent interest, which were hardly advantageous to the under-developed countries.

8. The Czechoslovak observations made at the previous meeting on changing the division of labour had

raised certain doubts, as was shown by the amendment submitted by Afghanistan and the United Arab Republic. The existing international division of labour—in which the industrial countries produced manufactured goods while the under-developed countries were expected to provide raw materials and agricultural products—no longer corresponded to the situation which had been created by the birth of new nations. The theory of comparative production costs determined the policy of the capitalist countries which wished to retain the advantages they now possessed. In order to solve the problem of the international division of labour, the general development of the economically under-developed countries must be assisted. If that was to be done, the last traces of colonialism must be wiped out and the under-developed countries must be helped to industrialize and to mechanize their agriculture. It was the duty of the United Nations and its Member States to help them in that task. That was the purpose of the Czechoslovak draft resolution, which the USSR delegation intended to support.

9. It did not seem appropriate to insert the amendment proposed by the United States delegation (A/C.2/L.486) in a draft resolution dealing in general terms with policies of financing favourable to the economically under-developed countries. If the United States delegation wished to do so, it could propose a draft resolution on the activities of the financing agencies at a later stage.

10. Mr. FINGER (United States of America) withdrew his delegation's oral sub-amendment to the amendment of Afghanistan and the United Arab Republic (A/C.2/L.487/Rev.1) on the grounds that the sub-amendment submitted by New Zealand (A/C.2/L.500) fully satisfied him. If the amendments proposed by Afghanistan and the United Arab Republic and the New Zealand sub-amendment were adopted, it would be necessary to alter the title of the draft resolution to "Financing of economic development through grants and long-term loans on favourable terms".

11. In reply to the USSR representative, he said that the United States had never pursued a policy opposing the industrial development and the diversification of the economies of the under-developed countries; on the contrary, it had promoted such development. Moreover, it was interesting to note that the Soviet Union representative had just said that in the agreements which his country negotiated with the under-developed countries, it accepted those countries' traditional exports, which were for the most part primary commodities. It would appear, therefore, that the Soviet Union did not in fact import new products and thus contribute to the diversification of the new countries' exports.

12. It could hardly be said that the loans of IBRD harmed the receiving countries' interests, because the size of the loans was steadily growing. There were also undoubted advantages to the under-developed countries in being able to buy in the cheapest markets. Although the Soviet Union criticized the Bank's methods, it should approve of the activities of the International Development Association, which made loans at low interest, repayable over twenty, thirty or more years. While the rate of interest on the credits extended was a very important matter, it should be noted that the United States made grants,

which obviously bore no interest, amounting to \$1,000 million a year.

13. Mr. MAKEEV (Union of Soviet Socialist Republics) did not want to start an argument with the United States representative, but he must point out that the Soviet Union assisted under-developed countries, not only through the United Nations, but also under bilateral agreements. There were no conditions attached to such bilateral aid, and the Soviet Union made no profit out of it. The United States, however, made substantial profits out of its aid to under-developed countries. It had invested \$1,500 million abroad in 1958, but those investments had yielded it a total profit of \$3,000 million. The industrial countries, which had drawn and were still drawing such profits from their investments in under-developed countries, ought to feel bound to give more aid to the countries whose wealth they had exploited in order to build their own prosperity. The Soviet Union's aid to African and other countries totalled 9,000 million roubles. As a rule, the Soviet Union agreed that the countries to which it made loans should repay them by exporting sufficient quantities of their traditional products to the Soviet Union. But that was not an absolute rule, and the terms of repayment were always settled in an agreement between the Soviet Union and the receiving country.

14. As for the United States amendment (A/C.2/L.486), he saw no reason why the International Development Association should be mentioned in the draft resolution. With regard to IBRD, it was widely known that the terms on which the Bank made its loans were much too onerous for the under-developed countries.

15. Mr. FLERE (Yugoslavia) said the idea that long-term loans were necessary for financing the development of under-developed countries had spread more and more widely among economists, journalists and even Governments, many of which had recently begun to make such loans or had increased their activity in that field. That was true of Yugoslavia, for instance, although it was still a net importer of capital.

16. In spite of that encouraging development, it should be made clear that the essential thing in the existing circumstances was to offer the under-developed countries the best possible terms for the financing of their economic development. From that point of view, the text of operative paragraph 1, subparagraph (a) as proposed by the delegations of Afghanistan and the United Arab Republic was better than the original text, because it gave more details of the facilities which should be extended to the under-developed countries. It also seemed preferable not to mention the extending of medium-term credits in the draft resolution, because experience had shown that such credits, which were generally used to finance exports, covered too short a period, and usually had to be converted into long-term credits. In certain circumstances, grants might be the most useful kind of aid, but the most widely held view was that where possible aid should be given in the form of long-term credits. It would be well to keep the two ideas apart, and to mention grants in the preamble and long-term credits in the operative part of the draft.

17. The under-developed countries' limited debt servicing capacity was often used as an argument for

refusing them the credits they needed. That was a real problem, and the Under-Secretary for Economic and Social Affairs had drawn the attention of the Committee (671st meeting) to the increasing difficulties which a growing amount of foreign debt was causing to under-developed countries. But the reason for those difficulties was the instability of the primary commodity markets. The primary producing countries would be better able to service debts contracted abroad if they could increase their foreign exchange earnings by also exporting manufactured goods. Such a change in the structure of world trade was also an essential condition for any improvement in the terms of trade for the under-developed countries.

18. In connexion with operative paragraph 3 of the draft resolution, he thought that, besides the regional economic commissions, other United Nations organs, such as the Economic and Social Council and the Committee for Industrial Development, should take more interest in the financing of the economic development of under-developed countries, and should study the question of the extending of long-term credits at low rates of interest, in order to encourage economic development.

19. Mr. WENTWORTH (Australia) thought that the draft resolution was generally acceptable, although it lacked somewhat in completeness and clarity. The amendments proposed by the delegations of Afghanistan and the United Arab Republic, New Zealand, Canada and the United States of America would help to improve the text, and he hoped that the Czechoslovak delegation would agree to incorporate them in the original draft.

20. The Australian delegation, like others, had some difficulty in attributing a precise meaning to the concept of the international division of labour, which economists of different schools interpreted in different ways. His delegation had thought that operative paragraph 2 should also explicitly say that the less developed countries should have an increased share in the world trade in primary products. However, one of the amendments proposed by Afghanistan and the United Arab Republic seemed adequately to have covered that idea.

21. Australia had recently become a member of the International Development Association, and the Australian delegation supported the United States amendment (A/C.2/L.486). Since Australia's assistance to under-developed countries generally took the form of grants, his delegation hoped that the draft resolution would mention such aid, and thought that the New Zealand delegation's amendment was the best in that respect.

22. He felt that in order to improve the English text of the draft, part of the fourth preambular paragraph should be changed to read "the opportunity of participating to a greater extent in the world market" instead of "the opportunity of having greater participation in the world market".

23. Referring to the Soviet Union representative's statement, he pointed out that everyone knew that the Soviet Union did not seek normal commercial advantages in its aid to under-developed countries, but that it supplied such aid in order to gain political or military advantages. The under-developed coun-

tries should bear in mind the high price they would have to pay later on for the assistance the Soviet Union gave them.

24. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) said that the Australian representative's remarks on the Soviet Union's relations with other countries were quite unfounded. The Soviet Union's assistance to under-developed countries helped to strengthen their independence. That could not be said of the activities of other countries which claimed to be defending the under-developed nations.

25. Mr. HASSAN (Sudan), whose delegation was one of the thirty sponsors of the draft resolution on the activities of the United Nations in the field of industrial development (A/C.2/L.491), thought the Czechoslovak draft very important, mainly because it recognized that one of the United Nations responsibilities was to encourage the industrialization of under-developed countries. The agricultural countries were glad that the United Nations had set up so many bodies to deal with agricultural questions, and they fully appreciated the work of FAO, the Commission on International Commodity Trade and the regional economic commissions, in the field of the production and marketing of agricultural commodities. However, it was unfortunate that the United Nations took so little interest in industrial development and had set up only one committee, which had not yet met, to deal with the problems in that field. Although some delegations claimed that the industrialization of under-developed countries aroused no enthusiasm in the advanced countries, it was reassuring to hear the United States representative say that his country was not against such industrialization. In order to make the point clear, the delegations of the United States and the Soviet Union might each be asked to put their views on the industrialization of under-developed countries in a paper, and to give details of the aid that each was giving those countries to assist their industrial development.

26. The essential principle of foreign aid was that there should be no conditions attached to it. That was why he had been particularly glad that no delegation had spoken against the Romanian amendment to draft resolution A/C.2/L.461/Rev.4 at the previous meeting. Foreign aid should not even be made subject to economic conditions, such as an obligation to buy goods from, or to sell certain commodities to, the country making the loan.

27. Primary producing countries, such as the Sudan, which depended on their exports of a single commodity and could not increase their small resources because of unstable commodity prices, urgently needed to diversify their production and to play a greater part in international trade. To achieve those ends, they needed credits, and especially long-term credits at low interest. Medium-term credits were not as useful and, as the Yugoslav representative had said, there seemed to be no need to mention them in the draft resolution. It was only through an increase in the volume of world trade that the under-developed countries could take a greater share of it.

28. Like the Yugoslav representative, he thought that the Committee for Industrial Development should also study the question of financing economic development through long-term loans at low interest. Operative paragraph 3 might say that all economic organs

of the United Nations should concern themselves with the question.

29. Both capitalist and socialist countries could contribute to the world's economic and social advancement, and the task of the United Nations was to induce them to co-operate, in the interests of all. Although certain United Nations organs were mainly responsible for political matters, it was clear that ideas expressed in the discussions of other organs had political implications. However, delegations with differing points of view should work together in mutual respect.

30. Mr. GEORGIEV (Bulgaria) observed that, in a sense, all the main Committees of the General Assembly were political bodies. Admittedly, each had its own particular sphere of activity and the Assembly's agenda items were allocated accordingly. Nevertheless, all the questions examined in the different Committees concerned the relations between States and by that token they all had a political side. It was therefore inevitable that members should be concerned with the political aspects of the various questions before the Committees. As Lenin had written, "politics is concentrated economics". In that connexion it had become a custom to entrust tasks of a political nature to the Secretariat, and in particular to the Secretary-General. That practice was not in conformity with the Charter and it should cease as soon as possible. The organs concerned ought to exercise those functions themselves.

31. Mr. MAKEEV (Union of Soviet Socialist Republics) regretted that certain representatives had turned the discussion into a channel which did not help to promote the Committee's work. As in the past, his delegation wished to participate constructively in the study of the practical questions on the agenda. But it could not let pass the slanders which had been directed at the socialist countries. It was quite wrong to say that the socialist States imposed conditions of a political or military nature on the countries which received economic and technical aid from them. Those countries reaped great advantages from that aid. For example, the USSR had contributed to the construction of the Aswan High Dam and, according to some economists, that dam would enable the United Arab Republic to increase its national income by 30 per cent.

32. Mr. SMID (Czechoslovakia) said that his delegation, in submitting its draft resolution (A/C.2/L.465), was simply aiming at promoting the development of the under-developed countries. It was natural that the discussion of the draft should give rise to differences of opinion, but it would be better to leave polemic aside, as no positive result could be achieved by it.

33. Mr. WENTWORTH (Australia) said that it was not he who had started giving the discussion a political flavour. The statement by the Bulgarian representative showed, indeed, that the socialist countries looked at all problems from a political angle. He himself considered it desirable to avoid political considerations as far as possible.

34. Mr. GURUN (Turkey) said he supported the draft resolution submitted by Czechoslovakia (A/C.2/L.465) and the amendments proposed by Afghanistan and the United Arab Republic, Canada, the United States and

New Zealand. He hoped that the Czechoslovak delegation would take those amendments into account and submit a revised text. If the first of the amendments submitted by Afghanistan and the United Arab Republic, proposing to replace the word "industrialization" in the first preambular paragraph by the words "economic development", was accepted, it would be preferable to substitute the words "economic bases" for the words "industrial bases" in the second preambular paragraph.

35. Mr. CARANICAS (Greece) said that all were now agreed in recognizing the necessity for assisting the economic development of the less developed countries by means of grants or through long-term loans at a low rate of interest. In that connexion, the consensus of opinion had evolved considerably in the space of a few years.

36. His delegation supported the oral amendment by the United States proposing to change the title of the draft resolution. It would however prefer to see the word "favourable" replaced by the word "concessional", which would give a wider meaning to the whole of the draft resolution. In the first preambular paragraph, the beginning of the sentence could be replaced by the words: "Bearing in mind the urgent necessity of further facilitating international financing in favour of the less developed countries...". His delegation had no comment to make on the last preambular paragraph; it was reserving judgement until the representative of Czechoslovakia had submitted a final draft. The same applied to operative paragraph 1 (a). With regard to operative paragraph 1 (b), he thought that its scope was not wide enough: it made no mention, for example, of the agricultural sector. Moreover, it ought to be stressed that economic aid should be utilized in a productive manner. It would therefore be desirable to amend paragraph 1 (b) to read: "to direct co-operation at financing primarily industrial, agricultural or social projects for productive purposes". If operative paragraph 3 was maintained, it would be well to insert the words "and

other appropriate organs" between the words "commissions" and "to study".

37. Mr. DUDLEY (United Kingdom) pointed out that the Soviet Union did impose certain conditions when it concluded agreements with under-developed countries; for example, it fixed the price of the commodities and specified the project for which the aid should be used. Moreover, those agreements frequently stipulated the use of Soviet technicians. In any case, no conditions which were unacceptable to the recipients ought to be imposed on countries receiving economic and technical assistance.

38. The amendments proposed by various delegations would have the effect of making the Czechoslovak draft resolution more acceptable. However, it would be advisable to repair certain omissions, and in particular to mention the role of the International Development Association. It would be preferable also for the second preambular paragraph to be worded: "Recognizing the need to accelerate the industrialization of the less developed countries through the provision of an increasing flow of public and private development capital". Contrary to what was said in the third preambular paragraph, it was diversification of the economies which made industrialization possible and not the other way round. That paragraph might most simply be amended by replacing the words "that industrialization will make possible the diversification of the economies" by the words "that industrialization means the diversification of the economies". There should perhaps be inserted, after operative paragraph 1 (a), a new sub-paragraph (b) saying: "to avoid extensive reliance on the practices of restricting economic aid to particular sources of supply or to particular projects" (A/C.2/L.501). The existing paragraph 1 (b) would also be rephrased, but, as the representative of Greece had submitted an oral amendment on the subject, it would be better to wait and see what happened to that amendment. In any event, his delegation was by no means against the idea underlying the draft resolution.

The meeting rose at 1.15 p.m.