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**AGENDA ITEMS 12, 29 AND 74**

**Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (A/4415) (continued)**

**Economic development of under-developed countries (continued):**

(a) **International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);**

(b) **Question of the establishment of a United Nations capital development fund: report of the Secretary-General (A/4488, E/3393, E/3393/Add.1-4);**

(c) **Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council (A/4489, E/3379, E/3379/Add.1-6);**

(d) **Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)**

**Land reform (A/4439) (continued)**

**GENERAL DISCUSSION (continued)**

1. Mr. SZITA (Hungary) was of the opinion that the existing situation in the world called for radical changes in the economic relations between countries, i.e., for the creation of such conditions as would offer all countries equal opportunities to develop their economies in an atmosphere of peace. That meant that in the future no country should be in a position to prosper at the expense of others and that the vestiges of the past must be eliminated, the colonial system finally abolished. It was also necessary to ensure the economic independence of the politically independent countries and to lay the basis for a new international division of labour.

2. The question of the liquidation of the colonial system had been included in the agenda (item 87) of the General Assembly at the request of the USSR delegation. It was becoming increasingly difficult to advocate the maintenance of colonialism, and the representatives of certain countries continued to do so only in order to safeguard their own interests. The time was approaching when it would be impossible for capitalist groups to grow wealthy from the labour and sufferings of millions of people living in the colonies. The peoples and Governments of the socialist countries would spare no efforts to eradicate the colonial system.

3. It was generally known that liberation from foreign rule did not necessarily mean economic independence. Lack of economic independence could be observed above all in the former colonies, where the level of living was extremely low. Yet it was precisely those countries which supplied the industrialized countries with the raw materials they needed. The crimes of colonialism consisted not merely in the extermination of populations, illiteracy and distressing social conditions among the indigenous peoples, but also in the economic situation which the metropolitan countries had left behind with a view to preserving their last positions in the economy. They were trying to prevent those peoples from diversifying their production and hoped to continue, through private companies, to enjoy the profits derived from the labour of the countries which had obtained independence. As an example, mining companies in Africa were largely controlled by foreign interests.

4. Under the circumstances, it was natural that the economically under-developed countries—for it was only in the economic sense that many of them were under-developed—should aspire to create a prosperous national industry of their own and to secure a larger share of the profits made by foreign companies. By helping them to do so, the United Nations

could make an effective contribution to their economic independence.

5. The economically under-developed countries also had to diversify their economies. That meant changing the existing pattern of the international division of labour, in which primary products were sent to other countries where they were processed and then returned to the producing countries as finished goods. The economically under-developed countries had to become industrialized as speedily as possible, so that they could themselves undertake the processing of their primary products and place manufactured goods, too, on the world market.

6. The United Nations could play an important role in that respect by bringing about economic relations likely to accelerate the economic development of all nations and the economic advancement of the less developed countries. Unfortunately the United Nations and its competent bodies, the Economic and Social Council in particular, had so far not taken measures conducive to radical changes in the position of the economically under-developed countries. The Council had adopted a number of resolutions; but it had, for example, not been able in recent years to prevent the deterioration of the terms of trade for primary producing countries. It was to be hoped that the Committee for Industrial Development would prove more active.

7. Although economic development had to be based first of all on a country's own resources, an important part in the economic advancement of the less developed countries, and especially of the former colonies, was played by outside economic assistance. The United Nations could engage in useful activity in that field, by tapping greater resources and seeing to it that economic assistance really served to accelerate the economic advancement of the less developed countries and to consolidate their economic independence. Whereas it was important that the assistance given to a country should serve to increase its productive capacity, often enough the aid provided was designed simply to cover military and administrative expenditures. For example, over the last fourteen years only \$14,000 million had been spent as economic aid to territories outside Europe and Japan out of the approximately \$70,000 million United States foreign aid programme. And in the sum of \$14,000 million was included more than \$6,000 million spent on upholding the régimes in Taiwan, South Korea and South Viet-Nam. According to a United States State Department report, the assistance furnished by France and Italy had served in great part to cover the costs of colonial administration. Moreover, the practice of making economic assistance subject to political conditions should as a matter of course be condemned. Those who analysed economic assistance problems should pay greater attention to the nature of such assistance, with a view to determining whether it in fact increased or diminished the economic independence of the country involved.

8. From that point of view, it would be interesting to study the role played by foreign private capital. The Secretariat, which had published elaborate reports on the flow of private capital, provided no information on the profits made by the capitalist monopolies in the countries where they had invested their capital. It was to be hoped that the Secretariat would heed

resolution 780 (XXX), in which the Economic and Social Council had requested the Secretary-General to arrange for the collection and analysis of data on the volume, distribution, reinvestment and repatriation of profits. In 1958 the countries of Latin America had paid out \$1,125 million, and twenty-five primary producing countries of Asia and Africa \$1,117 million, as profit and interest. In 1958, the profits paid out by the less developed countries to the United States had exceeded the private capital which the United States had supplied to those countries by \$915 million; in 1959, they had exceeded it by \$876 million. It could be seen that it was rather the economically under-developed countries which were helping the United States monopolies to accumulate capital. Such conditions amounted to exploitation rather than assistance. The position of the less developed countries was so critical that they sometimes considered the investment of foreign private capital to be advantageous, but the conditions under which such investments were made could no longer be ignored. In analysing the question, the Secretariat should study, *inter alia*, the following points: rates of interest and amounts channelled out of the country in the form of profits; the question whether such investments were instrumental in creating a national industry; which branches of the economy attracted the investments; the question whether the investments contributed to the country's industrialization or whether they were directed to the extractive industries, and whether they helped to diversify the country's production. It seemed that in most cases private capital investment increased the economic dependence of the less developed countries and contributed to their difficulties.

9. Similar questions could be raised in connexion with the activities of IBRD. According to the fourteenth annual report of the Bank,<sup>1/</sup> the Government of the United States had subscribed \$635 million. At the same time, the Bank had invested \$998 million in United States Government obligations. In other words, the Bank had granted the Government of the United States a loan of \$363 million at a rate of interest lower than that usually ruling with it. Moreover, less than 10 per cent of the loans advanced by the Bank were for the industrialization of the economically under-developed countries. Careful attention should therefore be given to the question whether the assistance provided by certain international agencies really resulted in greater economic independence for the less developed countries. A study of the conditions surrounding economic assistance and the flow of private capital would help to explain why an increasing number of less developed countries were attaching more and more importance to public and multilateral aid.

10. The assistance supplied to the economically under-developed countries by the socialist countries was based on a completely different relationship. It consisted of long-term low-interest loans designed to promote the former's industrial development. Such loans were granted by the State to the Government of the recipient country, so that the investments involved no infiltration of foreign capital. Nor were the loans subject to any political conditions. They

<sup>1/</sup> International Bank for Reconstruction and Development, *Fourteenth Annual Report, 1958-1959*, Washington, D.C. (E/3314) and document E/3314/Add.1 and Add.1/Corr.1.

therefore promoted the recipient countries' economic development.

11. It might be asked what volume of economic assistance would be needed in order to change, drastically, the rate of economic growth in the under-developed countries. The measures so far taken had been inadequate, and had not even prevented the consistent widening of the gap between the economically under-developed and the capitalist countries. The balance was so weighted in favour of the imperialist nations that radical measures were imperative. During the past ten years the per caput income had increased by \$30 per annum in the industrialized capitalist countries, but only by \$1 per annum in the under-developed countries. It was impossible to say what sum would be required in order to bridge the gap between the two groups of countries; but it was certain that, if only a small portion of the profits derived from the pillaging of the colonies were restored to them, the financing of the economic progress of the under-developed countries would present no further difficulties. Such restitution would be entirely equitable. But the prospects for it were not encouraging, since the colonial Powers not only refused to admit that they had exploited the colonies but had also opposed the creation of SUNFED, of which the under-developed countries and the socialist countries had declared themselves in favour.

12. It was therefore a question of deciding by what means the situation could be radically improved. Neither an increase in the sums made available for technical assistance programmes nor the financing of pre-investment activities would have any substantial effect. Only general and complete disarmament could release the considerable resources required for the purpose. If 10 per cent, for instance, of the amount currently spent on armaments by the great Powers could be diverted to the under-developed countries, the result would exceed all hopes. Indeed, all countries of the world—even the under-developed ones—were spending enormous amounts on maintaining their armed forces or producing armaments. The sums released from such activities would probably amount to more than from \$5,000 to \$6,000 million a year. The military aid supplied to certain countries mainly by the United States amounted to between \$2,000 and \$3,000 million a year. If all those sums were utilized for peaceful ends, they would help to remove under-development completely.

13. General and complete disarmament would have the further advantage of releasing material resources, which could not fail to have a favourable effect on the less developed countries; there would be an increase in demand and a raising of levels of living; disarmament would, in fact, open up a new era of prosperity. The General Assembly should therefore pronounce itself in favour of the speedy achievement of general and complete disarmament. Moreover the economic organs of the United Nations should undertake a study of the relationship between disarmament and the economic progress of under-developed countries, and of the complex economic aspects of disarmament itself.

14. Despite its importance, foreign economic aid could not of itself suffice to promote a country's economic development, for it was only by mobilizing its own resources that the country could obtain the results desired. Obviously, however, economic de-

velopment could be assisted by good relations between nations. Closer economic relations were to the interest of all countries, whatever their social systems might be; and such relations should be based on purely economic criteria. The Hungarian delegation was therefore opposed to any form of discrimination and any economic aggression in trade matters.

15. Hungary was doing its best to develop its economic relations in accordance with those principles. During the past two years the volume of its foreign trade had increased by 33 per cent, and the number of countries—particularly in Africa—with which it maintained fruitful trade relations had, in recent years, considerably increased. The General Assembly could help towards the application of the principles governing the economic development of all countries by adopting a resolution designed to improve relations between nations. The special position of the economically under-developed countries must, however, be taken into account; international trade should expand along lines conducive to an improvement in the international division of labour and to the industrial development of the under-developed countries. An endeavour should therefore be made to stabilize the prices of raw materials, and to place the under-developed countries in a position in which they could obtain at equitable prices the capital equipment necessary for their economic development, and export their own industrial products. It was along those lines that commercial relations between the socialist countries and the under-developed countries were developing.

16. So far as relations between the socialist countries themselves were concerned, in those countries the means of production were owned by society as a whole; that permitted a system of planned economy wherein production was not dependent upon markets but was based on scientifically prepared plans. So efficient was the system that the economy of the socialist countries was developing from three to four times more rapidly than that of the capitalist countries. In that connexion he drew attention to the inaccuracy of the expression "centrally planned economies", applied by the Secretariat to the socialist countries; that expression had been used in the first place by Western economists, and had then been taken up by the Secretariat. He added that the economic problems of the socialist countries were not always rightly presented in the World Economic Survey, which regarded it as out-of-date to maintain that the prerequisite for development was quicker expansion in the production of capital equipment than in that of consumer goods. That policy had however been vindicated by the experience of the capitalist countries themselves, by the fact that it had enabled the socialist countries to produce, more rapidly than the capitalist countries, not only capital equipment but consumer goods as well.

17. Socialism had made it possible to establish new economic relations in many parts of the world, because the socialist countries were not seeking to exploit other countries and their policy was based on the principle of mutual assistance. The result had been swift economic development and a lessening of the difference in position between the developed and the under-developed countries. Since the socialist nations established long-term plans in which ideas concerning the international division of labour were

taken into account, they had been able to conclude long-term agreements covering a considerable portion of their foreign trade. Such agreements provided complete guarantees with regard to the purchase of raw materials and capital equipment and the disposal of finished products. The advantages of broadening the international division of labour were evident. For instance, the unification of several countries' power production systems and mass production in the engineering industry had brought about an appreciable lowering of production costs. All those methods were still in process of development, and new problems arose each day; but results showed that the principles applied by the socialist countries, and the new types of relationship, had proved advantageous. Industrial production in the socialist countries was nearly six times higher than before the war, whereas in the capitalist countries it was only twice as high. In 1965, probably more than 50 per cent of the world's industrial production would come from the socialist countries.

18. International co-operation had played an important part in Hungary's economic development. Hungary had derived great benefit from its trade with the Soviet Union. During recent years, industrial production had increased on an average by 11 to 12 per cent annually; the national income had grown by 15 per cent in the past two years, and the quantity of goods supplied to the people had increased by 17 per cent. Hungary intended to develop its economic relations with the Soviet Union, the People's Republic of China and the other socialist countries. It was likewise prepared to maintain economic relations with every other country, on the basis of the principles which he had outlined. Hungary attached special importance to its economic relations with the economically under-developed countries. The Hungarian delegation would do everything in its power to enable the United Nations to help promote, between all countries of the world, relations which would profit each while ensuring the economic independence of those that were economically under-developed.

19. Mr. ORMSBY-GORE (United Kingdom) said that the basic economic task of the United Nations was to promote world economic development, which meant in the first instance starting or speeding up the economic development of the less developed countries. The tasks of the various economic organs of the United Nations could be considered under four main heads. To begin with, the various organs concerned tried to satisfy themselves about the facts by hearing the statements of national representatives who described the domestic and international economic circumstances and policies of their countries, and by using the reference material and statistics prepared by the Secretariat. In that connexion his delegation considered that the Secretariat's work in that field was impartial and it did not subscribe to the criticisms that had been made by several delegations. Next, on the basis of the facts, the economic organs of the United Nations tried to establish the objectives of economic development. Since 1945, very real progress had been made in their understanding of the world's true needs. The next stage was to determine to what extent previously agreed aims had been achieved, while the final step—and that was the spearhead of their activities—was to evolve and state in resolutions, the measures needed in order to make

further progress. His delegation believed that that process was sound and effective, and had led not only to a far better understanding of each other's problems, but also to a more tolerant and less selfish approach to world economic affairs. That was a great achievement.

20. To assist in establishing the facts, the Second Committee had at its disposal, in addition to the statements of delegations, a great profusion of documents including the annual World Economic Survey, the Statistical Yearbook, the many reports that had been called for in individual resolutions, periodical analyses published by the Secretariat, the economic surveys of Europe, Latin America, Asia and Africa, the quarterly economic bulletins of the regional economic commissions, various surveys relating to particular regions and countries, and the publications of the specialized agencies. The material was prepared by specialists and the quality of most of the work was high. It was beyond the capacity of any delegation to read and analyse all the material provided, which was designed mainly for the use of specialists in individual countries, but it was nevertheless the responsibility of the Assembly to ensure that the work was what was required. In this way the skill of the Secretariat could best be used.

21. With regard to aims, the United Nations had gone a long way since 1945 to establish its objectives. The General Assembly had recognized that the world community as a whole had a duty to foster economic and social development with the intention of providing adequate standards of living for the human race, which meant that the gap dividing the richer and the poorer countries would have to be rapidly reduced. Means would have to be found of enabling the poorer nations to reach and pass the point where national production could provide the resources needed for economic expansion. The Assembly had also recognized that the industrialized countries would to that end have to give massive aid to the less developed countries. In that connexion he noted that the Hungarian representative had estimated that the present increase in annual per caput income in the less developed countries was \$1 as against \$30 in the capitalist industrial countries. As the Hungarian representative had also said that the rate of growth of the socialist countries was three or four times greater than that of the capitalist countries, it would seem to follow that the socialist countries were in a position to give increased aid to the less developed countries. However that might be, although the States Members of the United Nations were in agreement as to the general objectives to be pursued, opinions varied in regard to what had in fact been achieved and what steps should be taken to advance further. It was inevitable that there should be disagreement, and controversy was often fruitful. But, over the years, vast changes had taken place in the nature of United Nations debates: instead of the charges and counter-charges which had taken up far too much time ten years earlier, there was now an evident desire to get down to serious work. Accordingly, in replying to certain statements made by the Soviet representative, he did not wish to stir up controversy but merely to put the record straight. The Soviet representative had not only attacked the record of the Western Powers; he had also denigrated the work done by the economic organs of the United Nations and the Secretariat.



22. The Soviet representative had said that the activities of the Economic and Social Council were not effective because the Council was dominated by a group of Western Powers possessing a mechanical majority, which was blocking the proposals of socialist and other countries aimed at the development of mutually beneficial economic co-operation. In fact, at the Council's thirtieth session, resolutions had been put forward by a number of under-developed countries and had in the main been adopted. The Soviet Union itself had put forward no proposal on economic items; it had indeed proposed an amendment,<sup>2/</sup> which had been adopted unanimously, and the Polish delegation had co-sponsored one resolution<sup>3/</sup> which had also been adopted unanimously. That could hardly be called blocking the proposals of socialist and other countries. The Soviet representative had also referred to the ministerial-level discussions at the Council's summer session as having been undertaken on the initiative of some under-developed countries. While it was true that the Mexican delegation had asked for the question to be put on the agenda, the real initiative had come from the Secretary-General, as could be seen from paragraphs 33 to 35 of the Council's report (A/4415). It was not rendering a service to the new Members of the Organization to give them an erroneous impression of the Secretary-General's past activity. The United Kingdom Government, for its part, had always thought the Council's work important, and from the beginning had sent a Minister to the summer sessions.

23. The Soviet representative had also accused some Western delegations of trying to sidetrack the Council from its essential tasks and to limit its activities to the consideration of secondary questions. During the past years the Council had in fact discussed and taken action on a wide range of important questions. In that connexion, it was sufficient to cite the Council's resolutions on international commodity problems and on measures for promoting international exchange of scientific and technical experience, and its initiatives on the evaluation of techniques of long-term economic projects. The Council had also established a standing Committee for Industrial Development, and had made a detailed study of international co-operation on behalf of the former Trust Territories and other newly independent States. In addition, it had devoted serious attention to industrialization, petroleum resources, water resources, co-operatives, short-term appraisals of the world economic situation, a conference on new sources of energy, and the international flow of both public and private capital. That was a good record and could not be dismissed as the consideration of questions of secondary importance.

24. Neither technical assistance nor capital aid to under-developed countries were new conceptions. But since the last world war, the aid supplied had considerably increased and the emphasis on the responsibility of the international community to provide such aid had given an entirely new aspect to the problem. The United Nations and its specialized agencies had done much to bring that change about and had played a most remarkable role. Since 1950 a sum

exceeding \$250 million had been disbursed by the Technical Assistance Board. More than \$63 million had been placed at the disposal of the Special Fund in its first two years of existence. At the recent Pledging Conference, approximately \$90 million had been pledged to the two programmes. The volume of international development capital being provided through international organs was also very large. By 15 June 1960, IBRD had made 260 loans totalling more than \$5,000 million. The International Finance Corporation had already invested more than \$25 million and the International Development Association had recently come into existence with an initial capital of \$1,000 million. The sums supplied on a multilateral basis were, however, only a part of the total amounts supplied in order to foster economic development. In addition to private capital, bilateral contributions were being made by a great many countries.

25. In any case, the supply of aid was a means to an end and not an end in itself. The objective was the strengthening of national economies and the development of production for the benefit of the people of the countries concerned. That meant trade. The United Nations and its associated organs and agencies had already devoted much attention to the trade in food and raw materials, which was a serious problem because the economy of most under-developed countries depended on a stable trade in those commodities. Various organs had been established and a number of commodity agreements had been entered into under their aegis with the objective of evening out excessive short-term fluctuations in prices, increasing the demand for commodities and providing just remuneration for the primary producers. It had to be admitted that progress had not been as rapid or as effective as a majority of delegations would like. Nevertheless something substantial had been done. Commodity agreements on tin, wheat, sugar, olive oil and coffee had been concluded. Study groups on zinc and lead and certain other commodities were in existence. The United Kingdom had participated in all those activities. The United Nations also had in hand a study of the problem of compensatory financing.

26. For its part, the United Kingdom had solemnly undertaken to further, by all the means in its power, the economic development of the less developed countries and the modernization, diversification and industrialization of their economies. It was quite untrue that the industrialized countries of the West were trying to keep the under-developed countries in the position of producers of primary commodities. The facts proved the contrary. The United Kingdom Government had done its best to encourage international economic co-operation both in the United Nations and the specialized agencies and through its own national economic policy. It was continuing to provide substantial funds for economic and technical assistance overseas. In 1957-1958 its expenditure on such assistance had amounted to about \$225 million. In 1960, that amount would probably be doubled. His Government had been able to make that effort because a high level of economic and industrial activity had been maintained in the United Kingdom. The industrialized countries had to maintain such a high level of activity and a balance in overseas trade if they were to play an effective part in world affairs. Only by remaining prosperous could they offer markets for the products of the less developed coun-

<sup>2/</sup> Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda items 2 and 4, document E/3416, para. 11.

<sup>3/</sup> *Ibid.*, para. 8.

tries. A country could not long finance aid to others if it was in international deficit itself.

27. Many speakers, referring to the financing of aid to the less developed countries, had dwelt on the fact that the economic development of the world would be enormously speeded up if the resources at present being devoted to armaments could be freed for useful expenditure. That thought was embodied in resolution 724 (VIII), adopted by the General Assembly on 7 December 1953. The United Kingdom had supported that resolution, and it believed that the International Development Association would prove to be precisely such a fund as the Assembly had called for, even though disarmament had not yet been accomplished. It was to be noted that the five delegations of the Soviet group had at the time abstained from voting on the solemn Declaration contained in that resolution.

28. It was nevertheless encouraging to see the Soviet countries recognizing the importance of international trade as a foundation for economic development. Owing to the rigidity of their economic system and the nature of their price system it was sometimes difficult for them to establish trade relations except by bilateral agreements. The United Kingdom sympathised with their difficulties and had met them by entering into the kind of agreement that suited them.

29. With regard to trade with the under-developed countries, the United Kingdom Government was trying to ease the import and sale of the new industrial products of those countries. It realized that for the industrialized and for the less industrialized countries the process of adaptation to new conditions would require flexibility, but it was determined, for its part, to make the necessary effort. The United Kingdom, whose economy depended on the free exchange of goods throughout the world, had a major interest in encouraging world trade on a fair and non-discriminatory basis. It knew that a deterioration in the terms of trade of the less developed countries was not, in the long run, to the advantage of the industrialized countries. It was therefore joining with other members of GATT in seeking ways and means of dealing with that problem.

30. The United Kingdom recognized that for moral and practical reasons alike, economic and social development must have priority, after the maintenance of world peace, as the objective of the whole world, and that the developed countries had a special duty in that respect. Much remained to be done. It would be necessary to intensify United Nations activities and, where appropriate, consider the establishment of new programmes. The principles laid down in the Charter were right, and needed no more than reaffirmation. It was important however to consider the best means of giving effect to them. To that end the United Kingdom delegation had prepared a draft resolution (A/C.2/L.461) which it was submitting for the consideration of the Committee.

31. Mr. CHERNYSHEV (Union of Soviet Socialist Republics), exercising his right of reply, said with reference to the United Kingdom representative's statement that at the twenty-ninth session of the Economic and Social Council the Soviet delegation had submitted a very important draft resolution on the economic aspects of disarmament,<sup>4/</sup> that owing to the

attitude of the Western Powers, that draft had not been adopted. At the thirtieth session of the Council, the Soviet delegation had prepared a draft declaration on the basic principles of peaceful coexistence in the economic field, such as the representative of the USSR had suggested to the Council (1117th meeting, para. 35). The draft had been transmitted to the President of the Economic and Social Council but the Western Powers had not considered it acceptable. Finally, it was the Mexican delegation which had taken the initiative in suggesting that the thirtieth session of the Council should meet at the ministerial level. The Venezuelan representative had further proposed that the meetings of the Council should be held regularly at that level, but the Western Powers had, in fact, robbed that proposal of all its meaning.

32. Mr. SZITA (Hungary), exercising his right of reply, explained that the figures he had quoted in regard to the rate of increase in per caput income in the under-developed countries and in the industrialized capitalist countries had been taken from a study prepared by Mr. Paul Hoffman, Managing Director of the Special Fund. With regard to the rate of growth in the socialist countries, what he had meant was that it was from three to four times higher than in the capitalist countries as a whole. Moreover, it was necessary to take into account not only the rate of growth but also the general level of the economy. The differences were even greater in absolute figures than in percentages. In any case, the capitalist countries had brought about such a gap between their development and that of the under-developed countries that the latter could no longer prevent that gap from increasing.

33. Mr. ORMSBY-GORE (United Kingdom) said, in reply to the Soviet representative, that the Western Powers had not systematically opposed the draft resolutions of the countries of the Soviet group, but that they could not share their views in all cases. As for the United Kingdom, it had given particular support to the proposals coming from the under-developed countries.

34. With regard to the details furnished by the Hungarian representative, he recalled that, in his statement, Mr. Szita had compared conditions in the under-developed countries with those in the capitalist industrialized countries, but not with that of the countries in the Soviet group. However, since he had stated that the rate of growth in the latter countries was three times higher than in the capitalist industrialized countries, it would seem that the planned economy countries should make a greater effort to help the under-developed countries.

35. Mr. SHANAHAN (New Zealand) said that in comparison with the frustration existing in respect to certain important political issues, it was encouraging when reviewing the work of the United Nations in the economic field to find that the quantity and quality of mutual assistance had risen spectacularly, especially under the impetus of events in Africa. The increase in aid programmes within the United Nations had been complemented by developments outside. He noted the establishment of the International Development Association and of the Inter-American Development Bank, the offer by the United States Government of \$500 million for social development in Latin America and amongst the many schemes for assist-

<sup>4/</sup> Ibid., Twenty-ninth Session, Annexes, agenda items 16 and 20, document E/L.861.

ance to African nations, the Special Commonwealth African Assistance Plan, to which New Zealand had pledged a contribution of £NZ 100,000.

36. The size and variety of those advances in international assistance gave point to the suggestion made by the Under-Secretary for Economic and Social Affairs (646th meeting) that the time had come for serious study of the objectives, destination and distribution of international financial assistance. Much the same thought was implicit in Economic and Social Council resolution 780 (XXX), concerning the need for a comprehensive view of international capital assistance and the charting of the volume, direction and composition of public and private capital flows, with particular reference to the under-developed countries. As the statistical position became clearer, the Council should find itself in a position to pursue the further lines of enquiry suggested by Mr. de Seynes. In support of the Under-Secretary's suggestion that certain international definitions and standards should be adopted for the amounts and forms of assistance, he pointed out that different kinds of international assistance had different effects on the recipient country. There were, for example, outright grants and a whole range of different types of loans, varying in their terms so considerably that some were hardly distinguishable from grants. Until some precise information was available on the effects of bilateral and multilateral financial assistance on the economies of recipient countries, it would be premature to attempt to create additional machinery, particularly as the establishment of the International Development Association should lead to an extension of multilateral financial assistance in the form of public capital. In supporting both bilateral and multilateral measures for transferring capital to under-developed countries, the New Zealand Government stressed the advantages of co-operative aid available under the Colombo Plan.

37. In view of the volume of international assistance and the number of agencies administering it, efforts should also be made to secure the closest possible co-ordination of existing aid programmes, of the activities of the Special Fund, IBRD and its subsidiaries, and of the technical, economic and other aid programmes of all the specialized agencies and other members of the United Nations family. Co-ordination was not an end in itself but a technique, and the Economic and Social Council had an obligation under the Charter to see that the technique was so applied that the limited resources available to the United Nations and the specialized agencies were used to the greatest advantage.

38. The Under-Secretary for Economic and Social Affairs had raised the question of co-ordination on a much wider scale in mentioning the possibility of harmonizing the economic policies of individual Governments. The New Zealand delegation considered that practical advances in that direction were more likely to be achieved at the present stage of the world's economic development in organs having more limited responsibility. The Secretariat could more fruitfully concentrate at this stage on the improvement of the techniques of economic projection, as proposed in Economic and Social Council resolution 777 (XXX).

39. If levels of living in under-developed countries were to rise, it was not only necessary to keep on

expanding the volume of foreign assistance, but also and above all to create conditions in which those countries could by their own efforts promote the well-being of their peoples, for that was their ultimate aim. Expansion of exports was fundamental, as was seen by the fact that even the greatly enlarged international assistance amounted to 16 per cent of their export proceeds.

40. The current economic outlook depended to a large extent on events in the United States and other industrialized countries. Uncertain prospects made the outlook for commodity prices pessimistic for the under-developed countries, which still relied overwhelmingly on exports of primary commodities; the outlook carried overtones of anxiety. The effects of falling industrial production during the 1958 recession had been felt most severely in declining prices for primary commodities, but export income had been slowly restored to the pre-1958 level more through a rise in volume than any significant recovery in prices. The problem of adverse terms of trade for primary producers had not in any way been solved. Primary producing countries as a whole had been losing reserves accumulated last year because import requirements had risen faster than export income. Any pause in the advance of the industrial countries would cause balance of payment problems to reappear next year in sharper focus. It was therefore important that high revenue duties, severe limitations on imports to protect high-cost local producers, and any tendency for regional arrangements to strengthen a restrictive bias against traditional exporters should continue to be scrutinized by GATT, the Commission on International Commodity Trade, and the FAO Committee on Commodity Problems.

41. It was essential that primary producing countries, many of which depended on the export of a narrow range of commodities, should have access to markets for the goods they were able to produce advantageously. There was a growing need for a realistic reappraisal in North America and Europe of protectionist policies affecting international trade. Protection of local production at prices higher than imported commodities led to import restriction, the accumulation of surpluses, and the temptation to dump them to the disadvantage of commercial suppliers. One of the main depressing influences on certain commodity prices was the existence of immense surplus stocks. Their very existence created uncertainty and had a depressive effect on markets. The disposal of those stocks raised serious problems for the trade of normal commercial exporters. Hence the policies which gave rise to the surpluses must themselves be modified. So long as such surpluses existed, and provided the FAO principles of surplus disposal were observed,<sup>5/</sup> his Government recognized the desirability of using them for humanitarian purposes.

42. In view of the explosive rate of population growth in certain areas of the world, there was at the same time an urgent need to continue to promote, as the United Nations and the specialized agencies were doing, the expansion of food production in the countries having difficulty in feeding their peoples or to

<sup>5/</sup> Food and Agriculture Organization of the United Nations, *Commodity Policy Studies No. 10: Functions of a world food reserve—scope and limitations*, Rome, 1956, appendix III.

improve their foreign exchange earnings so that food might be imported through commercial channels. Moreover, research in the field of protein production should lead in a few years' time to important additions to inadequate diets. Production of foodstuffs of high protein content was also yielding good results, as evidenced by the success of the UNICEF-assisted projects.

43. Under its Colombo Plan grants, the New Zealand Government had assisted various agricultural projects, including the establishment of a number of milk treatment plants in South-East Asia, an agricultural university, several water storage and irrigation projects, and the training of substantial numbers of technicians.

44. The establishment of the new agency in the field of industrialization, in the form of a standing committee of the Economic and Social Council and with the terms of reference now drafted for it, should ensure that its work should augment and not detract from the work of the regional economic commissions, which had been his delegation's main concern at the fourteenth session of the General Assembly.

45. Progressive industrialization in the less developed countries was important for the purpose of diversifying economies at present highly dependent on the export of a narrow range of primary exports. New Zealand, which fell into this category, had, notwithstanding substantial industrialization as well as sustained investment in agriculture during the

past 25 years, found that the ratio of its imports to national income had been higher in 1957-1958 than in 1937-1938. Although import substitution and foreign exchange saving were often cited as a basic argument in favour of industrialization, in New Zealand growth of industry had not brought about a reduction in imports but a change in their pattern: purchase of producer goods had increased while purchases of consumer goods had fallen markedly. The changing pattern of imports associated with industrialization was a subject worthy of further study, as it had obvious implications for the trend of future world demand and world trade.

46. Welcoming the admission of the new African countries to the United Nations, he emphasized the need for enlarging the membership of the Economic and Social Council, in order that the Council should more faithfully reflect the composition of the United Nations. Referring to the growing interdependence of the world's economies, he noted the willingness of members of the United Nations to contribute to the economic development of the African continent as well as to other areas of the world through a variety of channels, multilateral and bilateral. He stressed the necessity for providing the new States, along with other developing countries, with opportunities for increasing their trade, in order to promote the rapid growth of all national economies and to stabilize the world economy.

The meeting rose at 1.10 p.m.