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(a) International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council;

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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 (A/C.2/L.459/Rev.1) (continued):

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(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)

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GENERAL DISCUSSION (continued)

1. Mr. SAMSURI (Albania) said that the admission of sixteen new States to membership of the United Nations gave particular importance to the general discussion on the report of the Economic and Social Council (A/4415) and on the economic development of under-developed countries. While the Council meetings recently held at ministerial level represented an appreciable effort to solve economic and social problems, that did not alter the fact that the Economic and Social Council had not been equal to its task, for it had not succeeded in promoting that international economic co-operation which was essential if the economic problems besetting all States were to be solved.

2. Despite the recovery which had followed the last recession, economic prospects were again disturbing in the industrialized countries, where production was slowing down and unemployment becoming rife. The under-developed countries laboured under great difficulties owing to the vast deficit in their balance of payments and because of worsening unemployment. In the socialist countries, in contrast, economic expansion continued at an increased rate; the rate of growth of production was rising; and internal trade was sufficient to meet the population's needs. Trade among the socialist countries and the national income of each of them were on the increase, and it was accordingly possible to raise the level of living of the working masses. That favourable course of events proved the superiority of the socialist economy, which ensured a balanced development of productive forces and productive relations and guaranteed the economic expansion of all socialist States.

3. Albania, for its part, had won fresh successes during the past year. In 1959 the plan for industrial production had achieved 102.1 per cent fulfilment. By the end of 1960 industrial output would be more than double the 1955 figure. It was twenty-five times greater than in 1938. Albania now produced in a fortnight what it had taken a year to produce in 1938.

4. Despite the drought, the value of agricultural output was now 28.7 per cent higher than it had been during the years of the first five-year plan. Investment in industry, agriculture, social services and building was increasing rapidly, and over 250 new enterprises and establishments had been set up in those various sectors. Education was making unprecedented progress: out of a population of 1.5 million there were now 300,000 school pupils and students, as compared with 208,000 in 1955 and 52,000 in 1938. The whole population was covered by social insurance and received free medical care in all areas. The rate of population growth—31.4 per thousand—showed the Government's concern with the people's health.

5. Those results had been achieved through the efforts of the Albanian people themselves and through the valuable assistance rendered them by the Soviet Union, the People's Republic of China and the other socialist countries. Albania, formerly a poor and backward country under a feudal system and pitilessly exploited by the imperialist powers, was now a land of modern agriculture and industry. The new five-year plan provided for even more rapid economic expansion, the creation of 400 new enterprises and establishments, and an increase of 55 per cent in the national income. The number of pupils at educational establishments would be 400,000 by 1965.

6. The under-developed countries, whose economic and social backwardness was due to colonial domination, now sought to consolidate their political independence by endeavouring to gain economic independence. But the capitalist States were trying to keep those countries under their thumb; that was why they encouraged the investment of foreign private capital in the under-developed countries, and the investors' sole aim was to make large profits without regard to the economic development of the countries in which they operated. The under-developed countries had been able to make some progress, but constantly faced grave difficulties, the most serious being fluctuations in commodity prices on the world market and the deficit in their trade balance. They were thus unable to build up the foreign exchange reserves they needed in order to purchase capital equipment and to finance their development programmes. It had already been pointed out that the foreign exchange losses they had sustained, as a result of fluctuations in commodity prices and the adverse trend of the terms of trade, very greatly exceeded the amount they had received in international aid. It was imperative, therefore, to take steps to stabilize commodity prices and to provide commodity producers with assured markets.

7. Although economic expansion was the main objective of the international community, it must be recognized that the policy of the industrialized countries conflicted with that aim, because it hampered the economic growth of the under-developed countries. Since the economic expansion of the advanced countries did not assist the economic expansion of the under-developed countries, and since the former considered the development of the latter to be prejudicial to their egoistic interests, the international community must help the under-developed countries set up their own industries, modernize their agriculture, increase their production and raise the level of living of their peoples. It was therefore more urgent than ever to establish a United Nations capital development fund—SUNFED. The United Nations should also study the economic aspects of disarmament, for general and complete disarmament, necessary in itself, would at the same time make it possible to speed up the economic development of the under-privileged countries. Whereas the arms race, which jeopardized world peace and security, was a heavy burden on all countries, disarmament would enable the under-developed countries to increase their foreign exchange resources, since they would no longer need to buy arms, and consequently to increase their purchases of capital equipment. It would also permit the stabilization of the commodity market, since it would encourage an increase in the demand for commodities.

8. The formation, by some industrialized countries, of closed economic associations, their refusal to in-

crease their trade with the socialist countries and to trade with the People's Republic of China prevented the sound development of the world economic situation. It was therefore important to remove all artificial barriers hindering trade between all countries whatever their economic and social systems. The Albanian delegation was strongly in favour of the development of international economic co-operation and it would support any proposal in that direction; it supported in particular the proposal on that subject submitted by the Soviet Union delegation (647th meeting).

DRAFT RESOLUTION ON THE PROVISION OF FOOD SURPLUSES TO NEEDY PEOPLES THROUGH THE UNITED NATIONS SYSTEM (A/C.2/L.459/REV.1) (continued)

9. Mr. CAMARA Sikké (Guinea) said that his delegation had abstained in the vote (652nd meeting) on the priority to be given to the six-Power draft resolution because it believed that the reasons put forward did not justify suspension of the Committee's work. With regard to the actual substance of the revised draft resolution (A/C.2/L.459/Rev.1) and the declared aims of its sponsors, his delegation must repeat that it had not been convinced by the arguments advanced in support of the proposal.

10. It was obvious that there were many under-developed countries which were short of food and whose economic development raised serious problems, and that the assistance of United Nations bodies was in some cases desirable. Unfortunately, the draft resolution would not solve the real problem and furthermore it contained certain unsuitable expressions. Moreover, if the principle postulated in the draft were adopted, the economic development of the under-developed countries would be seriously jeopardized; their peoples would be led to believe that they need make no further effort to speed up their economic development and raise their level of living, and that all they had to do was to wait for the food surpluses which the more developed countries would kindly offer them. Members of the Committee ought therefore to consider whether the draft, if adopted, would be as effective as they hoped, and whether it would solve the economic problems of which hunger, poverty and malnutrition were the most direct consequences. In any case it was essential to amend the text, for it contained certain terms not consonant with the dignity of the peoples who might benefit from the food surpluses.

11. The Guinean delegation would therefore propose the following amendments to the text (A/C.2/L.467). In the first preambular paragraph the words after "food" should be deleted, for it was not absolutely certain that serious shortages of food were in any way the cause of economic backwardness. In the third preambular paragraph the words "present and future generations" should be replaced by the word "peoples", for it was hardly possible to speak of present and future generations in connexion with the good but modest goal the United Nations had set itself. The second part of the fifth preambular paragraph should be replaced by the words, "and of the role which the United Nations family can play in actions designed to help solve this critical problem". The opening of the eighth preambular paragraph should read, "Further convinced that assistance to underfed peoples can contribute to the increase of their standard of living". In operative paragraph 2 the word "needy" should be

replaced by the word "under-privileged". Operative paragraph 3 should be deleted.

12. His delegation would like some enlightenment about the reference at the end of operative paragraph 5 to procedures compatible with desirable agricultural development in the less developed countries. It would also ask for separate votes on the sixth preambular paragraph; the second operative paragraph, if it remained unchanged; and the third operative paragraph.

13. It was only natural that the under-developed countries should be interested in any proposal which might help them to solve their economic problems, but it must be recognized that under-development was not a defect. Although more than 1,500 million human beings were not yet in a position to escape from the most terrible of all social calamities, hunger was not their inevitable fate; it was a social evil resulting largely from colonialism. Every people had the same potentiality for development, once it had the benefit of the requisite material means and moral conditions. Bilateral or multilateral assistance must be complementary only; it was for those concerned to create the essential basis first. It should also be noted that the rich countries were interested in disposing of their food surpluses. Thus any bilateral or multilateral agreement that might be reached between the industrialized and the under-developed countries must above all ensure the strict equality of the parties.

14. With regard to the draft resolution, his delegation's vote would be determined by the response to the amendments he had just suggested.

15. Mr. CARANICAS (Greece) thought that the draft resolution was constructive, because it tended to give aid to under-developed countries a multilateral character. In addition, the draft resolution wisely brought into sharp focus the part played by FAO; in that connexion, it would be helpful if the FAO representative could make a statement before the vote was taken, giving detailed information on all aspects of the problem.

16. At the preceding meeting, the guide lines adopted by the Wheat Utilization Committee had been mentioned. Those guide lines were in no sense incompatible with the FAO principles of surplus disposal; the only difference between them was that the former dealt with steps to be taken for the sale of wheat on a commercial basis, while the latter were concerned with the utilization of food surpluses for the benefit of the under-developed countries. Moreover, FAO had demonstrated its interest in the primary commodities problem, and it ought to establish close working relations with the other bodies active in that field.

17. Under the amendment submitted by Afghanistan and the United Arab Republic (A/C.2/L.463), the procedures for consultation and the dissemination of information provided for in operative paragraph 5 would be established "without prejudice to bilateral arrangements for this purpose". That amendment was unobjectionable, but a better wording might be "without prejudice to existing bilateral arrangements", since the primary objective was to encourage multilateral assistance. As for the terms of sale of surpluses, the representative of India had drawn the Committee's attention (655th meeting) to the problem of the accumulation of local currency accounts in the recipient countries. Those counterpart funds could obviously play only a limited role in the economic expansion

of the under-developed countries, as had been proved by experience with the Marshall Plan in Europe. The most significant point in the draft resolution was, therefore, the possibility of supplying food surpluses to peoples who needed them. The proceeds from the sale of those surpluses, which the Governments would collect in local currency, would add nothing to available resources. Moreover, if the sale of food surpluses had the effect of increasing the foreign exchange reserves of the supplying countries, that would have unfortunate consequences for both the supplying and the recipient countries. He was pleased to note that, on the strength of the wording of operative paragraph 9, it might be taken for granted that the surpluses would be transported in the normal way.

18. Since a number of amendments had been submitted, he could not take a definite stand until the final text had been prepared, but he broadly approved of the proposed draft and would vote in favour of it.

19. The CHAIRMAN, in reply to a question from Mr. GEORGIEV (Bulgaria), said that there would be a second revision of the draft resolution.

20. Mr. KULAY (Turkey) said that it was unthinkable that millions of human beings should suffer hunger while there were food surpluses in various countries. The Freedom from Hunger Campaign was therefore one of FAO's most important projects. Turkey had voted in favour of that campaign at the Tenth Conference of FAO, and in the same spirit it was supporting the draft resolution, with the amendment proposed by Afghanistan and the United Arab Republic. His delegation was also prepared to accept any amendment which would not run counter to the end in view. The essential thing was to act as quickly as possible, so as to achieve the objectives of the Freedom from Hunger Campaign without, however, injuring the interests of the food exporting countries. That was what the Second Committee was trying to do during the current discussion, and he hoped that it would soon reach a decision.

21. Mr. GREEN (New Zealand) said that his delegation approved of the sentiment expressed in the Czechoslovak amendment (A/C.2/L.464), as it reminded the Committee that dumping foodstuffs at prices below costs of production did occur on occasions. It pointed up the general problem of dumping, which was not confined to agricultural products but also took place with other primary commodities, such as metals. New Zealand had itself felt the effects of the dumping of foodstuffs by certain countries of the Soviet bloc. However, to assist representatives in their vote on the amendment, he would be grateful if the Czechoslovak representative would give more information on what was meant by the term "further appropriate measures", as it might be argued that any dumping aspect of the disposal of agricultural surpluses was already governed by the relevant principles laid down by FAO. Perhaps it was desirable to incorporate also a reference to the provisions and current activities of the General Agreement on Tariffs and Trade, which had the primary responsibility for anti-dumping measures. In any event, since the Czechoslovak amendment seemed to be emphasizing one aspect of the FAO principles of surplus disposal, it was fair to ask whether Czechoslovakia which, he understood, was not a member of FAO, and the other countries of the Soviet bloc would assure the Committee that they intended to

subscribe to all the other aspects of the FAO principles.

22. Mr. SMID (Czechoslovakia) stated that the sole object of the "further appropriate measures" mentioned in his delegation's amendment was to stop the dumping of agricultural surpluses on international markets, since such dumping would have serious consequences. It was therefore advisable to draw up specific recommendations on that point and to request FAO to give the problem its attention.

23. Mr. DEWULF (Belgium) said that the six-Power draft resolution was important for four reasons. First, if that draft was adopted, it would constitute a new and special resolution of the General Assembly, the fundamental organ of the United Nations; furthermore, the resolution would be adopted at a particularly important moment in the history of the Organization. Secondly, the discussion in the Committee had brought out the urgency of the problem. Thirdly, the problem was no doubt a very complex one, but its technical aspects would have to be solved by specialists, and the Committee should merely outline the policy to be followed and determine the manner in which food surpluses would be supplied to peoples which needed them. Fourthly, the aim of the co-sponsors of the draft resolution was to speed up and strengthen the action taken by the United Nations and by the specialized agencies, particularly FAO. In that connexion, it would be desirable for the Committee to reach a decision before the end of the current FAO session.

24. It was obviously impossible to include in the draft resolution all the shades of opinion expressed by representatives during the debate. However, the discussions in the Committee should serve as a guide to those who would have to implement the resolution. The draft obviously had to mention the need to find procedures compatible with desirable development of the under-developed countries; as the Netherlands representative had rightly pointed out, the short-term objectives should not obscure the long-term goals. His delegation hoped that a definitive draft could be agreed upon and it was prepared to support such a text. It had been somewhat disappointed by the statements of the Soviet Union and Czechoslovak representatives, who had merely stated generalities and had submitted no constructive ideas, notwithstanding the fact that the problem was a particularly urgent one.

25. With regard to the Czechoslovak amendment, dumping was something which should be condemned. However, in the case of agricultural products, it had aspects of great complexity. For example, Belgian farmers had undoubtedly experienced difficulties as a result of exports of Czechoslovak hops and Polish eggs. In any event, the inclusion of a provision concerning dumping in the proposed resolution would go beyond the objective sought.

26. Mr. EZEKIEL (Food and Agriculture Organization of the United Nations) said that he wished to tell the Committee how much the Director-General of FAO appreciated the initiative taken by a number of Governments in seeking to enlist the aid of FAO, the United Nations and other international agencies in order to broaden the use of surplus foods. The FAO had been concerned with those problems for many years. Its general principles ^{1/} and guiding lines ^{2/} concerning the

disposal of food surpluses constituted a veritable code of conduct in that field, which had already been accepted by forty-four States. The general principles emphasized the importance of increased consumption, of orderly disposal and of avoiding interference with normal production and trade patterns. The principles governing concessional sales referred to the use of surpluses in aid of development, for special distribution programmes and for emergency relief; they emphasized the importance of those disposals being absorbed through consumption which would not have taken place in the absence of the transaction on special terms; and they recommended consideration in the light of the relative extent of the concessional trade and the degree of importance of trade in the commodity to the economy of the disposing country, of any competing exporter, and of the importing region.

27. The FAO had made a special study of the use of food surpluses to aid economic development.^{3/} The study had been carried out in India. The object was to determine whether various development projects undertaken in India—road construction, irrigation, reforestation, community development projects, milk marketing schemes, forest industries, etc.—could be financed in part by agricultural surpluses obtained on special terms. The FAO had studied the possibility of putting unemployed men to work on such projects and had sought to determine the extent to which their demand for food would rise as a result of their employment and the extent to which that demand could be met by selling them surplus food. It had been found that projects which had large requirements for labour and low requirements for imported equipment or supplies were most suitable for such financing. About 55 per cent of the total investments in the projects examined could be covered by the sale of surplus foods to the workers for whom the project would provide employment, while about 45 per cent would remain to be covered either by increased domestic production (of textiles, for example) or by increased imports. The FAO believed that in order to prevent increased inflationary pressure, that remaining portion would need to be covered by additional foreign aid not repayable immediately in foreign currencies. The solution envisaged by FAO assumed that a rather wide "market basket" of food surpluses would be available.

28. Furthermore, the sale of agricultural surpluses on special terms would make it possible, in the case of a national economic development programme, to increase the investment rate without the risk of increasing inflationary pressure, as the sale of surpluses would counterbalance part of the increased demand for food.

29. According to the FAO study, the use of surplus foods to finance economic development was a dual operation, consisting at one and the same time in putting unemployed men to work on capital-formation projects or programmes and in paying a good part of their wages in surplus foods. Actually, the men were paid in local currency and the surpluses were sold to them in local currency, one transaction more or less balancing the other. The use of food surpluses to finance economic development by putting unemployed men to work and the use of those surpluses to meet the increased demand for food products of those workers

^{1/} See 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.

^{2/} *Ibid.*, para. 300.

^{3/} *Ibid.*, Commodity Policy Studies No. 6: *Uses of Agricultural Surpluses to finance Economic Development in Under-developed Countries—A Pilot Study in India*, Rome, 1958.

and their families were therefore simply two aspects of the same operation. Those two aspects should be considered together at the planning as well as at the implementation stage if the over-all operation was to yield good results.

30. Since that method of disposing of surpluses increased consumption in the recipient country by the same amount as it increased that country's imports, it would not harm the agricultural producers of either the recipient country or other exporting countries.

31. The FAO Conference, at its eighth session in 1955, had examined and approved the conclusions of the study carried out in India, and had emphasized that consideration should be given to promoting economic development in all sectors so that the resulting rise in economic activity would help to increase purchasing power as agricultural output expanded.

32. Further study of the experiment carried out in India had shown that the demand for bread grains increased more rapidly among Indian workers as their incomes rose than FAO had foreseen. In other words, the income elasticity of demand was even higher than had been indicated by the data available earlier. It would appear, therefore, that the proportion of additional development expenditures in India that could be covered by the sale of grain surpluses was even higher than FAO had believed. A similar experiment had been conducted in Japan, where the local currency from surplus sales had been used to finance a wide variety of agricultural and industrial undertakings.

33. The FAO had also given much study and attention to the question of the building of national food reserves. It had carried out studies on the subject in India and Pakistan and had published a report in which practical questions were examined, such as the size of storage space needed, the cost of constructing it, the operating problems of managing the reserves and using them to meet either shortages or large increases in demand due to rising national incomes.^{4/} The principles set out in the FAO report had been accepted and approved by the FAO Conference and by the Economic and Social Council, and several countries were now enlarging their storage facilities and developing national reserves in accordance with the resolutions adopted on that subject.

34. He was willing to answer any questions which representatives might wish to put to him concerning FAO's technical studies on food surplus disposal.

35. Mr. PENTEADO (Brazil) said that the Committee seemed to be unanimous in approving the very simple aim of the draft resolution, and he deplored the fact that it was getting lost in a long meandering discussion which gave the impression that the question was a very complex one. He preferred to be guided by three basic considerations: there were agricultural surpluses; millions of human beings suffering from hunger and malnutrition could be helped if those surpluses

were distributed to them in an intelligent way; those surpluses should be distributed in such a way that producers concerned should be afforded all necessary safeguards against a possible disorganization of the market. He would vote in favour of the revised draft resolution if the final text took those three considerations into account, otherwise he would abstain.

36. Mr. PAYNE (United States of America) pointed out that the revised draft resolution would not be available at the present meeting and asked if the Committee could meet the following morning to study it.

37. Mr. ORTIZ (Uruguay) said that, as no meeting had been scheduled for the morning, the members of the Committee would probably have made other arrangements. Moreover, under rule 121 of the rules of procedure, no proposal should be discussed or put to the vote unless copies of it had been circulated to all delegations not later than the day preceding the meeting. The revised draft had not yet been circulated and the numerous amendments submitted deserved consideration. Moreover, some delegations would probably wish to consult their Governments. It would therefore be better to postpone consideration of the draft resolution until the following afternoon.

38. Mr. DUDLEY (United Kingdom) said that the Committee had given priority to the draft resolution for well-known reasons. It would be as well, therefore, to continue in the morning in order to reach a decision in the afternoon; that would enable the Committee to resume the general debate on agenda items 12, 29 and 74.

39. Mr. GALLEGOS (Ecuador) endorsed the Uruguayan representative's remarks.

40. Mr. DORSINVILLE (Haiti) said he hoped that the provisions of rule 121 would not be strictly applied to the draft resolution. Most delegations, even those which had raised objections, had said that the proposal was an important one, of great humanitarian concern, which would assist the campaign launched by FAO. The sponsors of the draft resolution had made an effort to take into account the amendments submitted and to propose a text which would receive majority support. In view of the fact that the FAO Council session would end on 28 October, the Committee should examine the draft resolution and take a decision on it the following afternoon at the latest.

41. Mr. ORTIZ (Uruguay) said that, in view of the importance of the draft resolution, he was not asking for strict application of rule 121 of the rules of procedure but would like the resolution not to be considered before the following afternoon.

42. Mr. PAYNE (United States of America) said that he would not press for the Committee to meet in the morning.

43. The CHAIRMAN suggested that the draft resolution should be considered at the following afternoon's meeting.

It was so decided.

The meeting rose at 5.40 p.m.

^{4/} *Ibid.*, Commodity Policy Studies No. 11: National Food Reserve Policies in under-developed countries, Rome 1958.