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CONTENTS

	Page
<i>Agenda items 12, 29 and 74:</i>	
<i>Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (continued)</i>	
<i>Economic development of under-developed countries (continued):</i>	
(a) <i>International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council;</i>	
(b) <i>Question of the establishment of a United Nations capital development fund: report of the Secretary-General;</i>	
(c) <i>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;</i>	
(d) <i>Promotion of wider trade co-operation among States: report of the Secretary-General</i>	
<i>Land reform (continued)</i>	
<i>General discussion (continued)</i>	123

Chairman: Mr. Janez STANOVNIK (Yugoslavia).

AGENDA ITEMS 12, 29 AND 74

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

Economic development of under-developed countries (continued):

- (a) **International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);**
- (b) **Question of the establishment of a United Nations capital development fund: report of the Secretary-General (A/4488, E/3393, E/3393/Add.1-4);**
- (c) **Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council (A/4489, E/3379, E/3379/Add.1-6);**
- (d) **Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)**

Land reform (A/4439) (continued)

GENERAL DISCUSSION (continued)

1. Mr. KULAY (Turkey) said that since the Second World War the economic development of under-

developed countries had emerged as a major contemporary problem, exercising the intellects of both academic and practical economists. Although much progress had been achieved, a great deal remained to be done. Through modern communications the peoples of under-developed countries had become aware of the disparity between their own standards of life and those of economically advanced nations, and were eager to follow the same course. Their Governments were no longer content with a precarious economy, based on agriculture or a few primary commodities and consequently vulnerable to fluctuations in the world market. To them industrialization at any price seemed the only solution.

2. Formerly, poor countries with such ambitions had been regarded, not as new partners, but as potential rivals wishing to enter a forbidden field. However, the development and diversification of the economies of the poorer countries would increase their purchasing power and so benefit industrialized countries seeking markets for their exports. The United Nations and its specialized agencies as well as regional associations were already making valuable contributions in that field. The doctrine, advocated by some economists, that each country should be left to tackle its economic problems alone had merely resulted in economic backwardness, and social pressure was compelling statesmen to respond to their peoples' desire for better living conditions. Without assistance their efforts would be unavailing, since low incomes and lack of savings prevented capital investment. Private foreign capital had an important part to play in the development of economic sectors which could improve the country's balance of payments and increase its trade. Studies carried out by the United Nations showed that several under-developed countries, including Turkey, had passed legislation facilitating the inflow of foreign capital and, although it was difficult to influence capital inflow by administrative measures, every effort should be made by those countries to attract capital to other sectors of their economy. His Government would welcome the creation of an international organization for that purpose.

3. The World Economic Survey, 1959 (E/3661) showed that despite the minor decline in imports of manufactured goods, industrialization in the under-developed countries had increased the demand for industrial raw materials and capital equipment. According to statistics published by GATT, only one-third of the world's trade was in agricultural products, the remainder being in industrial products. Industrialization of the under-developed countries would therefore also benefit the advanced countries.

4. The under-developed countries could participate more actively in the world markets if their purchasing power did not suffer as a result of protectionist import restrictions imposed on agricultural products by industrial countries.

5. Exports were an essential factor in economic development, but they required increased production, which in turn involved capital investment. In under-developed countries the accumulation of capital was a major problem which could not be solved without depressing the level of consumption or running the risk of inflation. The object should be to exploit national resources, not primarily for the purpose of increasing consumption, but in order to accumulate capital that could be used to increase productive capacity. In his own country an inflationary policy had delayed the transition from the take-off stage to maturity. Some economists favoured an inflationary policy, coupled with financial assistance obtained on political and social grounds, although such a policy could well result in the development of marginal industries protected from international competition by quota systems. Inflation also had social repercussions, since it adversely affected the middle class, which tended to preserve democratic institutions and political stability, and created a new undesirable class. Economic activity became predominantly speculative and long-term capital investment was no longer possible. The continual rise in prices adversely affected exports and the balance of payments, and the economy could not attract foreign capital. Turkey had followed such a course until the middle of 1958, when it had embarked on a policy of stabilization, on the advice of international and regional economic organizations. The present Government had established a planning organization, which was essential for the economic development of a country like Turkey; restricted budget expenditure to a level that the country could afford; revised investment programmes, placing greater emphasis on industrial development; and adopted anti-inflationary financial measures. He hoped that other developing countries could profit by Turkey's experience.

6. His delegation believed that the problems of the under-developed countries could be solved only by concerted international action, and was therefore in favour of increasing the membership of the Economic and Social Council. United Nations activities in the field of technical and financial assistance were of enormous value, but assistance on a bilateral basis also had an important part to play. The creation of a United Nations capital development fund seemed indispensable and would make it easier for the industrialized countries to discharge their obligations towards those in need. The United Nations, as well as other international and regional organizations and individual Governments, should try to encourage the flow of private foreign capital into those under-developed countries. In the promotion of world trade, particular attention should be given to primary commodities, which were the principal, if not only source of wealth for the under-developed countries. Lastly, his Government attached great importance to land reform and was at present studying measures that would meet the economic and social needs of his country.

7. Mr. BREIVIK (Norway) said that international economic co-operation in the past decade had been marked by the rapid and continuous increase in the volume of international financial assistance to the less developed countries. The economic and technical assistance rendered by the United Nations, the specialized agencies, IBRD and other international organizations had contributed significantly to the solution of many urgent problems facing countries in the early

stages of economic development. His Government welcomed the establishment of the International Development Association, which would make additional funds available to those countries, most of which preferred that assistance should be channelled through the United Nations and its specialized agencies. His delegation shared that view, believing that such assistance involved a measure of partnership, since it benefited both recipient and donor. Norway had progressively increased its contributions to United Nations assistance programmes and would raise its total contribution to the Expanded Programme of Technical Assistance and the Special Fund by 24 per cent in 1961. He paid a tribute to the energetic and untiring efforts of the Secretary-General and the staffs of the various specialized agencies for the success of United Nations assistance operations.

8. The task ahead was immense and, with the emergence of new States in urgent need of economic and technical assistance, his delegation believed that the first step must be to increase the financial resources available to meet those needs. Adequate machinery already existed for that purpose. Norway had supported in principle the establishment of a United Nations capital development fund, but believed that it was not yet appropriate to discuss the creation of new machinery for United Nations action in the field of capital investment.

9. Recipient countries needed favourable conditions if they were to derive the maximum benefit from assistance, and fluctuations in the prices of primary commodities often created serious economic problems for them by affecting their foreign exchange earnings and their terms of trade. His Government believed that determined efforts should be made to stabilize commodity prices, and hoped that the Commission on International Commodity Trade and other competent bodies would soon be able to propose effective measures. At the same time, the less developed countries should be encouraged and helped to diversify their economies. The industrialized countries could also make valuable contributions by abolishing import restrictions, customs duties and internal taxes on primary commodities and by granting long-term credits for the purchase of capital equipment and manufactured goods. Those countries should also endeavour to maintain a high level of economic activity themselves and avoid measures and policies which could have serious repercussions abroad. In view of the ever-increasing economic interdependence of the world, all countries should try to harmonize their economic policies and seek agreement on common objectives without further delay.

10. To ensure maximum effectiveness and to avoid duplication of effort, multilateral and bilateral assistance programmes should be co-ordinated at all levels and information on international assistance should be more readily available. His delegation hoped that Governments would give increasing support to United Nations pre-investment activities carried out under the Special Fund. Inadequate knowledge of natural resources or a lack of trained manpower could greatly reduce the value of investment.

11. Norway agreed that disarmament could release substantial resources for assistance to the less developed countries, but also believed that the sustained economic growth of the industrialized countries

would enable them to allocate a greater share of their national product to such assistance.

12. Mr. DOE (Liberia) wished first of all to congratulate the newly independent countries of Africa and the Republic of Cyprus on their admission to the United Nations and expressed the hope that the current session of the General Assembly would be instrumental in bringing independence to the many millions of Africans still denied the right to self-determination.

13. There was a growing awareness of the interdependence of nations and all States should now be prepared to collaborate, on a basis of honesty, mutual trust and sovereign equality, to resolve the problem of the coexistence of wealth and poverty, which bred conflict and human degradation. His delegation strongly believed that in view of the recent admission of Asian and African countries, the membership of the Economic and Social Council should be increased to ensure more equitable representation.

14. The useful summary of the world economic situation given by Mr. de Seynes, Under-Secretary for Economic and Social Affairs (646th meeting), accurately revealed the deplorable imbalance between the rates of progress of the developed and the under-developed countries. Like the representative of India, he fervently hoped that the General Assembly would give a lead to Governments in tackling that problem. His delegation had therefore co-sponsored the six-Power resolution on the provision of food surpluses, which had been unanimously adopted (658th meeting). A firm believer in self-help and regional co-operation, Liberia had proposed that African States should set up regional economic councils for negotiation on trade, navigation, multilateral investment, marketing, specialist training and exchanges of information.

15. His Government's domestic and foreign policies had been eminently successful and substantial economic progress was being achieved. Although Liberia's economy was predominantly agricultural and based on one commodity, a measure of diversification was being introduced and there had been progress in industrial development and commerce; every effort was made to encourage the inflow of private capital.

16. In conclusion, he wished to emphasize the value of technical assistance to under-developed countries and the need to expand existing United Nations facilities for promoting international co-operation and consultation.

17. Mr. CARANICAS (Greece) said that while the United Nations was today more representative of the peoples of the world, the progress it had made towards a solution of the crucial problem of the economic development of the under-developed countries had been difficult, slow and inadequate in comparison with the problem's growing complexity and explosive implications. The recent intensification of the cold war had brought a regrettable change in the character of the Second Committee discussions, which had been exemplified by the suspicions some delegations had voiced concerning the Secretariat's objectivity and impartiality. The presentation or even omission of statistical material might sometimes create a mistaken impression, and, of course, many countries did not always agree with the Secretariat's assessment of certain facts or policies. To think, however, that the Committee's documentation was deliberately distorted by the staff was to undermine the very bases of its

work. A doctrinaire attitude could not help in finding common ground or promoting a better understanding of controversial matters, and his delegation joined in the hope that the Committee would discuss the specific problems before it in a matter-of-fact and candid way.

18. The continuing disagreement over an increase in the Economic and Social Council's membership seemed another aspect of the climate of political conflict. No one was opposed in principle to such an enlargement, yet political considerations were preventing a reorganization of the Council, without which a more equitable distribution of its seats was impossible. It seemed paradoxical that the opposition to such an enlargement came from countries alleging that the Council was being run by a group of Powers which had a "mechanical majority", for what better means could be devised to dilute such a majority than to add more members with different political and economic structures. Moreover, many speakers had emphasized the importance of holding meetings of the Council at the ministerial level, and his delegation believed that, on balance, the first such meeting had been a success. It also agreed that the number of participants in such meetings should be increased by inviting representatives of countries not members of the Council. But an increase in the Council's membership would automatically increase the number of participants in sessions at the ministerial level and would at least partly meet the wishes of those countries which would like to see the Council's role enlarged.

19. Another effect of political tensions was to be discerned in the views presented by some countries on the problem of private foreign investments. Although the representatives of economically under-developed countries had in general recognized that such investments had an important part to play in world economic development, the representatives of two Eastern European countries had characterized the inflow of foreign private capital as a new form of colonialism. His delegation did not intend to become the advocate of private foreign investment; the question was more complex than it looked, and much could be said regarding the inadequacy of the statistical information available and the need for further analysis by the Secretariat of the net inflow of private capital into the under-developed areas and the effects of foreign investments. However, the Committee would accomplish more if it continued its examination of the problem without exaggerated arguments or the injection of political issues.

20. A number of speakers had extolled the economic progress and rate of growth of their countries. Those achievements constituted the best contribution any nation could make to the improvement of the world economy as a whole, and the under-developed countries could only benefit from the competition between the socialist and the capitalist countries, which should result in increased demand for the commodities they produced and greater possibilities of international economic aid. However, the propensity to associate rates of economic growth with the advantages or disadvantages of different economic systems tended to blur the economic issues before the Committee without convincing anyone. Instead of arguing the relative merits of rival ideologies, it might have been more constructive to underline the areas of agreement between Committee members.

21. Political motives had also led to the classification of the economies of the various countries into some-

what rigid categories which did not always correspond exactly with economic realities. The clear division drawn by the Polish representative between the countries of the two different economic and social systems and, within the capitalist world, between the highly industrialized and the under-developed countries, seemed logical and useful at first view; it became less clear, however, if the similarities between countries of differing political or social systems, or the differences within each group were taken into account. The differences between the communist and capitalist systems were less pronounced than was often thought; on the other hand, there were different shadings and varying features within the capitalist system and within the under-developed world. There was planning or state ownership in some capitalist countries and, at times, private ownership of the means of production in some countries which were considered Communist. As had recently been suggested by the British economist Sir Oliver Franks, the balance of the world now turned on a right relationship between the industrial north and the developing south, whether in America, Africa or Asia. But again, within that developing south, three broad categories of nations could be identified: those which were in the early stages of the transitional process, where the fundamental capital, both human and institutional, required for the modernization process was lacking; those where the process of establishing the pre-conditions for growth was well under way, but the relationship between individual effort and national development had not been clarified enough to provide the motive force for the take-off; and those which had achieved many of the technical pre-conditions for take-off and had made considerable progress towards developing a capacity to deal realistically and simultaneously with all the major sectors of their economies. As had been pointed out in a recent study, the transition from traditional to modern status through which all the under-developed countries were passing was extremely complex, partly because modernization was the net result of inter-action between psychological, political, social, economic and cultural factors, and partly because the histories, traditions and resources and values of the countries involved were very different.

22. In referring to the complexities of economic reality, the Spanish representative had given the example of the under-developed areas in Spain and Italy (647th meeting). One might also cite highly industrialized countries with a low standard of living, like Japan, or typically agricultural countries with a very high per caput income, like New Zealand. Neither of those examples confirmed the generally held view that industrialization was the only solution to the problem of development. Moreover, although no one would dispute the need for industrialization as a final goal in the process of growth, it was within reach only in under-developed countries which had already gone some distance towards creating a minimum of social capital. In others, literacy and popular participation in national life were low, and the basic problems included the training of personnel, the development of modern institutions, the creation of an agricultural framework capable of generating increases in productivity, the creation of a modern transport network, etc.

23. The most pervasive element in the transitional process was the growing pressure for modernization, but the form that pressure took would depend on how rapidly and effectively the societies concerned ap-

peared to be moving in the right direction. In any case, international economic assistance would help greatly to avoid frustrations.

24. He was inclined to agree that the young and newly independent nations could not wait for the change in attitudes and habits which had taken generations in the highly industrialized nations. However, the belief that the experience of the industrialized countries would allow the emerging nations to telescope the stages of economic development into the span of a few years seemed over-optimistic. It must, however, be conceded that in some instances, such as the development of modern means of communication, telescoping was not only highly desirable but most needed in the least developed countries.

25. The Afghan representative had said that special measures were necessary if the condition of the less developed countries was not to worsen. The problem was what those special measures should be in each case, and in what priority they should be applied.

26. In his book *The Strategy of Economic Development*, Professor Hirschman argued that every decision in the development process meant either creating an imbalance or correcting one, and often both. Once that was recognized, it became possible to identify the types of imbalance which were conducive to further growth and those which were dangerous to it, in various environments. Until now, economists had favoured only one kind of imbalance, that in which basic facilities such as education, transportation and power were built up, ahead of current demand, in the hope that industry, agriculture and commerce would expand in their wake. In some societies, however, it might be preferable to ensure that some basic economic activities such as agriculture or large-scale industry were firmly established; they would in turn induce the creation of the necessary under-structure. It was thus necessary to understand that the shortages and bottlenecks which were regular features of developing economies were not necessarily the result of mismanagement but might be the requisite props in an economic development sequence which maximized stimuli towards action.

27. In dealing with the question of investments in the context of developing economies, three main aspects must be considered: whether a minimum volume of investment was necessary to generate the growth process; if so, whether that investment should or could be internally balanced; and whether, if certain imbalances were necessary, it could be hoped that they would be self-correcting. The answers to those questions seemed to depend on the particular situation of the country concerned. For any country, the pattern of growth was decisively influenced by six variables: the ratio of population to resources, the degree of industrialization already achieved, the institutional framework in agriculture, the ratio of exports to national income, the distribution of profits in export industries, and the export structure.

28. On the basis of those criteria, it was possible to identify four general types of under-developed economies. The first type was that of economies having export-induced growth. The general characteristics of such an economy were a low ratio of population to resources, a high ratio of exports to national income, and a fairly low ratio of the country's output of export commodities to world output, so that exports could expand rapidly without upsetting world prices. For such

countries, including those in Central Africa, Central America and the Middle East, unbalanced export expansion would be an excellent strategy for economic development.

29. The second type—of which Brazil was an example—was that of countries with a diversified natural resources base which could pave the way for internally induced growth. Whether economic growth would become cumulative and self-sustaining would depend on whether agricultural and other output could be expanded fast enough to keep industries supplied and to release labour for industrial employment. New export lines must also be created in order to meet the demand for increased imports. For such countries the notion of maintaining balance was very important, since if major imbalances developed they might easily become the runaway kind which could not be corrected.

30. Next came those countries, for example, India and Pakistan, in which there was a high ratio of population to apparent resources, the industrial sector was small and stagnating, and the ratio of exports to national income was rather low. Any piecemeal attempt at development was unlikely to succeed under such circumstances, and a simultaneous attack on all fronts was called for.

31. Finally, there was the problem of economic growth in small countries with a narrow natural resources base. There were many such countries, and in their case it became necessary to create a leading sector, for example, through stimulating a particular line of export, in order to usher in the process of growth. Imbalances in investment would be profitable and self-correcting if exports had expanded sufficiently and occasional gaps in supplies could be covered by imports.

32. But whatever the type or rate of development of an under-developed economy, there was no doubt that foreign capital should be provided in such amounts and for whatever periods that were necessary to achieve a satisfactory rate of growth in per caput output on a self-sustaining basis, i.e. without further net capital imports. The function of all investment was to raise the level of capital formation to a rate consistent with growth in per caput output, and to maintain it at that level until domestic savings were large enough to support a rate of investment growth sufficient to finance the desired rate of growth in output. That critical level of investment must be maintained until the economy reached the stage of self-sustaining growth. Until that stage was reached, international aid was needed, but it could not by itself solve the problems of under-developed countries, for it would not necessarily secure the desired level of productive investment, nor could stability of the incremental capital output ratio be assumed. Economic development and growth took place in response to a complex of factors operating within an economy and not simply as a consequence of capital assistance, pre-investment activities or even a large inflow of private foreign capital or bilateral programmes of assistance. As had recently been pointed out, accelerated economic expansion had not generally been correlated with capital imports. There also appeared to be cases of countries, Argentina and Chile for example, where trouble had developed well after the take-off point. Government policies were a powerful force for acceleration or deceleration.

33. But, with all its difficulties, the self-generating growth approach provided a better basis for inter-

national economic aid than piecemeal and sporadic assistance, either through bilateral agreements or the execution of isolated projects by international agencies. It was from that point of view that the obstacles to economic development enumerated by previous speakers should be regarded. As long as the less developed countries could not at least expand their rate of export growth, the volume of international economic assistance must be increased. The French representative had pointed out (662nd meeting) that the industrialized countries found it difficult to distinguish between assistance and trade. It was with such problems that the Secretariat could help most. As the United Kingdom representative had said, the existing activities of the United Nations must be maintained and expanded, and where necessary, the establishment of new programmes must be considered. The Greek delegation would stress that it was the General Assembly's duty to take the initiative and to adopt the measures which would help to solve the crucial and complicated problem of growth and economic development. History provided many examples of régimes and civilizations which might have survived if they had been able to carry out the necessary reforms in time. The world had reached a similar moment, and if the United Nations let the years immediately ahead slip by without setting the masses of Asia, Africa and Latin America on the road to progress the outcome might well be tragic.

34. Mr. VIAUD (France) recalled that at the 664th meeting the representative of Tuhisia had stated that between 1951 and 1958 the countries of the Franc Area had received only \$16,700,000 from IBRD, of which 10 million had been invested in the oil industry in Algeria. In fact, the loan of \$10 million to Algeria in 1956, referred to in table 4-XVIII of the Secretariat study entitled *Economic Survey of Africa since 1950* (E/CN.14/28), had been used to finance dam construction. Furthermore, the figures given in that table did not go beyond 1958. In 1959 and 1960 the Bank had made loans totalling \$115 million to countries of the Franc Area, including 50 million for Mauritania, 35 million for Gabon and about 30 million for the financing of a Sahara pipe-line.

35. Referring to the external trade of the African countries, the representative of Tunisia had spoken of his country's recurring import surplus. He seemed to imply that such a situation was bad in itself although an export surplus would have been much worse. In the survey of Africa it was stated that the African countries could be classified into two groups: ten countries with an export surplus throughout the whole or the greater part of the period 1950-1957 and thirteen countries (including Tunisia) with an import surplus (E/CN.14/28, pages 149-150). In the case of Tunisia, the figures in table 3-3 of the survey showed that in the period covered Tunisia's import surplus had amounted to \$470 million. However, that deficit had been amply covered by French investments.

36. Mr. AYARI (Tunisia), while agreeing with the French representative on the subject of the loans granted by IBRD, opposed his contention that the deficit in the Tunisian trade balance had been covered by investments. In any case, it was not sound economic policy to seek to cover such a deficit in that way. Many of Tunisia's financial problems had stemmed from the fact that it had been forced to remain within the franc zone with no separate accounting system of its own and

had also been compelled to buy French goods at prices which were often higher than world prices.

37. Mr. RAJAPATIRANA (Ceylon) said that, from the point of view of human progress, the problem of the economic development of the less developed areas remained one of fundamental importance. Despite all the assistance rendered over the past ten years, economic conditions in those areas were still disappointing. The seriousness of their plight was clearly borne out by per caput income statistics. Assuming that the current level of assistance remained the same or even increased slightly, the income gap between the richer and the poorer countries was bound to widen because of the rapid population increase in the latter. At the same time, their inability to maintain sustained levels of investment and other related difficulties tended to keep their economy at almost stagnation point. The industrialized countries must therefore provide them with substantial amounts of capital with a view to stimulating and accelerating their economic growth. Such a policy would not only enable the more backward countries to develop more rapidly but would also increase world economic activity and thus benefit the industrialized countries themselves.

38. The statement made to the Committee by Mr. de Seynes clearly showed that the position of the less developed areas had not substantially improved. Despite international measures to combat them, commodity price fluctuations remained a serious problem; they reduced export incomes and endangered foreign exchange reserves. Countries like Ceylon were extremely vulnerable because their economies depended on the export of one or two primary products. They were faced with the almost insurmountable problem of expediting their economic development programmes by creating a more dynamic and more diversified economy with the proceeds of their export surpluses.

39. The continued deterioration of the terms of trade of the less developed countries was also highly significant. In his statement, Mr. de Seynes had pointed out that the primary commodities which must be exported in order to acquire a given unit of manufactured goods was today 20 per cent higher than it had been on the eve of the Korean hostilities. In the wake of the booms and recessions in the industrialized areas, the income of the primary producing countries had been subject to serious fluctuations. Even more disturbing was the persistent lag in world demand for most primary commodities. Much attention had been paid to that problem by the various international agencies but the time had come for the United Nations to consider what concerted practical measures should be taken to expand the international export markets of the less developed countries. In that connexion, the creation of regional economic units must be viewed with a certain amount of apprehension. It was essential that the economic agencies of the United Nations should study in detail the international repercussions of such groupings with a view to avoiding any prejudice to the interests of third countries, particularly the exporters of agricultural commodities and raw materials.

40. Turning to the economic situation of Ceylon, he noted that the deterioration which had begun in 1956 had continued in succeeding years. While export receipts had remained at a relatively low level, import expenditures had continued to rise along with the increasing population and expanding economy. The price of Ceylon's major export commodities had not reflected

the general increase in the volume of economic activity in the industrialized world. Owing to the inelasticity of demand for tea, Ceylon had not benefited, as had some other under-developed areas, from the revival of industrial activity abroad. The net effect had been an unfavourable trade balance and a heavy drain on Ceylon's external reserves.

41. For nearly a year Ceylon had been without a Government commanding the support of the people and the cumulative effects of such a situation had been unfortunate. However, with the return to power of a Government with popular support, Ceylon's economic programme, geared to the needs and aspirations of its people, was receiving due attention. The path which lay ahead was difficult. Every available source of capital would be explored to finance urgent needs as Ceylon ventured into the new fields of activity. Foreign assistance was undoubtedly necessary and the terms offered by the Ceylonese Government were no less favourable than those offered by other countries. Ceylon would like foreign capital in general to participate in partnership with local capital in those sectors which await development.

42. The most important of the subjects now being dealt with by the Committee was the question of financing economic development. Steady economic growth and an acceleration in the rate of capital accumulation were of vital importance to the economic development of the under-developed areas. Although it had been pointed out that there had been a greater flow of investment capital to the under-developed countries in the past decade, the annual investment of private foreign capital in Ceylon had averaged about 7-10 million rupees, whereas annual requirements exceeded 400 million rupees. Ceylon, like many other less developed countries, was continually faced with the problem of the outflow of profits and dividends which tended in the aggregate to exceed inflowing capital. So far as public capital was concerned, the amount that had entered Ceylon had been relatively small, particularly during the period prior to 1957. The figure had increased in 1959, but that was because of increased financial aid, particularly under the United States surplus food disposal scheme. The percentage of financing derived from foreign grants and assistance had ranged from 0.9 per cent in the early part of the present decade to about 7 per cent in the last two years. Clearly, therefore, the extent to which external assistance had so far helped in the economic development of Ceylon was negligible.

43. Most under-developed countries wanted foreign capital from international and governmental sources. Private capital sought only those fields which would yield a high degree of profit and was not always geared to the basic needs of the recipient countries. There was a persistent imbalance in the geographic distribution of private investment, which tended to follow rather than precede economic development. In spite of international and bilateral aid programmes, the current supply of available capital could hardly match the demands of accelerated economic growth. It was therefore imperative to explore every possible means of increasing substantially the volume of international public financing, both bilateral and multilateral. Under the Charter of the United Nations, Member States were obliged to promote solutions of international economic problems. His delegation firmly supported the establishment of a capital development fund, which had been unduly delayed for various reasons.

44. With the entry of new States into the United Nations the question of the magnitude of international economic assistance became even more important. His delegation fully supported the suggestion made by the Indian representative (661st meeting) for providing a realistic measure of funds for capital and technical assistance. Undoubtedly, the question of disarmament was of cardinal importance from the point of view of economic as well as political progress. In a recent statement Mr. T. Coleman Andrews, a former United States Commissioner of Internal Revenue, had declared that compliance with a genuine peace offer from the Soviet Union would result in the greatest depression America had ever known because its arms industry, coupled with foreign aid, was responsible each year for \$50,000 million in purchasing power. He quoted that statement merely to show the other side of the picture and to stress how much of the money now spent on armaments could be used to assist the under-developed countries.

45. His delegation felt that the subject of land reform was extremely important, since the prevalence of old relationships in the farm sector could be, as in Ceylon, a tremendous obstacle to agricultural productivity. In recent years, Ceylon had adopted a scheme which would eliminate the major difficulties that had tended to keep agriculture in a state of comparative stagnation. For example, the Paddy Lands Act of 1957 had introduced measures which, *inter alia*, sought to provide the tenant farmer with security of tenure and incentives to better and more production.

46. For the States that had recently emerged from colonial status, economic emancipation must accompany political independence. The economic development of the less developed areas must be considered on a global basis. To that end the Member States of the Organization and particularly the highly industrialized ones had a vital role to play. The problem placed upon the United Nations a responsibility which it must dis-

charge and provided it with a challenge to which it must respond.

47. Mr. WILKEN (United States of America), in reply to the representative of Ceylon, said that no responsible official in the United States Government believed that any serious peace proposal would represent an economic threat to the United States. Mr. Khrushchev himself appeared to agree on that point, because in his speech during the fourteenth session of the General Assembly (799th plenary meeting) he had stressed the fact that disarmament in no way threatened the economic stability of the nations of the world. At the end of the Second World War the United States had unilaterally disarmed on a massive scale and had released for the civilian economy in the United States sums in excess of that mentioned by Mr. Andrews. During that period of disarmament, no economic catastrophe had overtaken the United States. In fact, the transition from a war to a peace economy had been accomplished with little difficulty.

48. Mr. RAJAPATIRANA (Ceylon) replied that he had quoted Mr. Andrews' statement merely to show the other side of the picture. He himself did not agree with the view put forward by Mr. Andrews, and was happy that the United States Government did not believe that any serious peace proposal presented an economic threat to the United States. He underlined his own statement following that quotation, in which he had pointed out that repercussions such as were contemplated in Mr. Andrews' statement could be avoided by substantial capital assistance both in goods and services to the less developed countries and by the consequent increase in their purchasing power. He believed that the United States representative's statement supported that view, for the measures that had followed the Second World War had undoubtedly included the Marshall Plan.

The meeting rose at 6 p.m.