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**Chairman:** Mr. Mohammad MIR KHAN (Pakistan).

**AGENDA ITEM 27**

**Economic development of under-developed countries (A/3154, A/3192, A/C.2/L.295) *(continued)*:**

- (a) Question of the establishment of a Special United Nations Fund for Economic Development: report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2, A/C.2/L.296);
- (b) International tax problems: report of the Economic and Social Council;
- (c) Industrialization of under-developed countries

**GENERAL DEBATE *(concluded)***

1. Sir ALEC RANDALL (United Kingdom) wished to stress that one of the great differences between the League of Nations and the United Nations was that the League had been mainly regarded as a political institution. Without underestimating the importance of developments such as the establishment of the International Labour Organisation and the work of the International Health Service and the Financial Section and Economic Intelligence Service of the League of Nations, it must be recognized that the inter-relationship between political questions and economic and social questions was not then clearly understood. But a change was gradually brought about and it was the Nazi aggression of 1939 that abruptly halted the League's slow but sure progress towards a better understanding of that inter-relationship, and crushed the hopes of those who believed that its functions were not exclusively political.

2. But the experience of the League had not been in vain. When the United Nations was set up after the Second World War, the idea that the economic and social welfare of peoples was inseparable from sound political organization found expression in the establishment of the Economic and Social Council and in the impetus given to many non-political activities with which the Second Committee was closely associated. International economic interdependence had been accepted

since 1939 and the developed countries had responded with sympathy and generosity. More people had made more economic progress during the past ten years than in any other decade of history. It could not be fairly claimed that the developed countries ignored practically and in the long run the economic disparity between themselves and the under-developed countries. It was evident, however, that the poverty of centuries could not be wiped out overnight; the same applied to the customs and traditions which hampered economic progress. There was still a formidable disparity in standards of living. Deplorable though that was from a humanitarian standpoint, it must also be recognized that many under-developed countries had made remarkable progress. A year ago, when the end of the "cold war" had been proclaimed, there had been grounds for hope that such progress would become even more marked. The Conference on the Statute of the International Atomic Energy Agency in September and October 1956 had accentuated those hopes and had held out promise of an era, not of peaceful coexistence—for that was rather a lifeless expression—but of active international co-operation, both economic and cultural.

3. Recent events had caused a setback. He believed, however, that the future was more important than the past, and in that spirit he wished to make a number of points which he felt should be borne in mind in the interests of safeguarding United Nations action to promote economic development.

4. In the first place, a sound economy was essential to the developed countries if they were to be able to further the economic development of the under-developed countries. The developed countries must have economic stability if the under-developed countries were to benefit from their technical knowledge, their experience and their capital. If that stability was threatened by policies based on a chauvinistic nationalism, which took the form of violating contracts, restricting trade, doing serious damage to the economies of a score of nations, and weakening general confidence, the under-developed countries would inevitably suffer. In other words, there was no point in urging countries like the United Kingdom which traditionally exported capital and technical knowledge to take a more active part in raising standards of living, while at the same time making that task more difficult. Yet notwithstanding recent discouraging events—on which he did not intend to dwell—the United Kingdom was still resolved to spare no effort, both within and without the United Nations, to promote the economic and social progress of the under-developed areas and to give that effort high priority. That would first require efforts to restore confidence. Secondly, it would involve seeing that the United Kingdom economy was sound.

5. He would therefore give the Committee some information on the present economic position of the United Kingdom and the prospects for the future in

had intended to devote to the financing of its economic development.

21. At the Bretton-Woods Conference in 1944 the United Kingdom representative had stated that the question of Egyptian sterling assets would be settled after the war in a generous and equitable way; since 1947, however, the United Kingdom Government had kept those assets frozen and it had been possible through agreements to secure the release of only certain portions. Moreover, five weeks after the conclusion of the first agreement the United Kingdom Government had prohibited the conversion of the frozen assets into any other currency.

22. Some of the frozen assets derived from transactions between Egypt and other countries; to prevent Egypt from making use of assets which it had acquired in that manner was contrary to generally accepted economic principles and to the principles of justice which should govern international relations. In consequence, Egypt had suffered heavy losses attributable partly to the devaluation of the pound sterling, the rise in prices in the United Kingdom and the rise in the discount rate, which had resulted in a considerable drop in the value of the British Government bonds held by Egypt. Despite such losses, however, the Egyptian economy remained strong enough to withstand such arbitrary measures.

23. During the first ten months of 1956 Egyptian exports had been 10 per cent greater than in the corresponding period of 1955; as a result, it had been possible to import 11 per cent more capital goods and consumer goods than in the corresponding period of 1955. Egypt's balance of payments position had also improved in 1956 in comparison with 1955, thanks to the Government's monetary policy. From December 1955 to November 1956 there had been an increase in foreign currency reserves, with the exception of those in pounds sterling and francs. The same was true of gold reserves. Egypt's debit balance with Italy and France had decreased considerably and its credit balance with other countries had increased; the Egyptian Government had encountered no difficulty in financing cotton production. He then reviewed recent trends in his country's foreign trade, particularly its import trade. In conclusion, he said that Egypt's economic situation was satisfactory; in support, he cited an article in the *Evening Star* of 12 December 1956 which stated that there was neither rationing nor inflation in Egypt.

24. Referring to the difficulties which the underdeveloped countries encountered in financing their economic development programme he observed that, as efforts in that direction had not been particularly successful in the past, a fresh approach was necessary. In particular, the following points demanded attention: the need for a more liberal policy on the part of the international financial institutions; the desire of the underdeveloped countries to obtain greater financial and economic assistance from the United Nations; and the urgent need for a new international finance institution.

25. He felt that he should not conclude without referring briefly to the security measures which Egypt had been compelled to adopt as a result of the military operations conducted against it. Those measures had not been adopted arbitrarily but had been necessitated by a complex situation. The attacks against Egypt by Israel and the atrocities which had been committed in the Sinai and Gaza areas were common knowledge. Acting as the tool of the colonial Powers, Israel had

launched an aggressive attack against Egypt in violation of the principles of the Charter of the United Nations. The United Nations had taken note of that violation on repeated occasions and had condemned it in a series of resolutions with which Israel had still not complied. Israel's attitude was a threat to Egypt, which had been compelled to adopt such measures in order to defend itself against an aggressor and to safeguard its security.

*Mr. Lychowski (Poland), Vice-Chairman, took the Chair.*

26. Mr. ALLOUNI (Syria), speaking under rule 116 of the rules of procedure, said that he wished to reply to the Israel representative who had made several comments at the 412th meeting concerning his country's economy, in which he had failed to mention certain features which had to be taken into account in any objective assessment of Israel's so-called economic achievements. The representative of Israel had dwelt on the boycott directed against his country, but had omitted to say that the land the Israelis were cultivating, the undertakings they were operating and the houses in which they lived had been seized from the Arabs, whose property, confiscated by the Israel Government, was estimated to be worth several thousands million dollars and represented thousands of hectares of arable land. The speaker cited figures in support of his statements and added that the flagrant injustice of that action could in no way be justified by all the laws and regulations the Israel Government had enacted in an effort to legalize the seizure.

27. In praising his country's achievements, the representative of Israel had likewise failed to mention the reparations which his country had received from the Federal Republic of Germany, amounting to \$812 million, payable over ten or twelve years.

28. He had also failed to mention the enormous amount of financial assistance Israel had received and was continuing to receive from certain quarters in the United States of America; according to the figures of the American-Israel Chamber of Commerce and Industry, such assistance had amounted to \$1,500 million during the period 1947 to 1957.

29. Those facts clearly revealed the parasitic nature of the economy of Israel and showed what actually lay behind the achievements of which Israel was so proud; but the world would not be deceived by appearances and justice would triumph in the end.

30. Mr. OTHMAN (Yemen), also exercising his right of reply, said that the Syrian representative had provided striking evidence in the figures he had just cited. The Israel representative had stated that the Arab countries were victims of their own action in boycotting Israel. The gentleman from Israel, who might have been a newcomer to Palestine like most Israelis, did not realize that the very concept and practice of boycotting had been brought to the Arab world by the Zionists. The Arab peoples, however, had not even been aware of the existence of such a concept as the boycott. Their tolerance, far from being only an abstract ideal, was the very basis of practices they observed in their daily life; that fact was so well known that he did not need to dwell on it.

31. Until 1919, at the beginning of the Zionist experiment, the Arabs had been quite prepared to welcome migrants to Palestine who would live with them like them. Before long, however, in view of the policy of isolating the Jewish community from the Arab population practised by the Jewish Agency for Palestine, the

Arabs had realized that the Zionists wanted to separate Jews from Arabs. The attitude of the Zionists had convinced the Arabs that their very life was at stake and that they had to adopt every possible measure to defend themselves. They knew from experience that the Zionist spirit was not merely the product of contemporary circumstances; it could be found in the Talmud, the Torah and the Dead Sea scrolls, and there was little likelihood that it would change in the near future. However, his advice to the Israelis would be that, rather than complain of maltreatment, they should make a critical analysis of the attitudes underlying their own behaviour; only then would there be any hope for an ultimate improvement of the situation.

32. Mr. LIVERAN (Israel) protested that the speakers who had claimed to be speaking under rule 116 of the rules of procedure had not actually used the right of reply, which would be granted only when a State was directly and explicitly involved, but had abused the right granted under that rule in order to make observations regarding Israel's economy which were inadmissible both in form and in substance.

33. Israel's economic achievements were evident. They had been made possible primarily by the united will of an entire people which desired to live and was willing to work in order to live. The other factors were of little consequence in comparison with that truth; they had been mentioned with the transparent object of accounting, by means of the flimsiest of arguments, for the striking differences in the levels of living in the countries of the Middle East.

34. It was certainly not his intention to minimize in any way the generous assistance Israel was receiving from the people of the United States; but he was surprised to hear delegations which usually did not hesitate to extol international economic assistance refer to it as though it were something shameful when Israel was the recipient. Israel for its part, was proud of it.

35. The question of the Arab refugees had been under discussion in another United Nations body for eight years and was not within the competence of the Second Committee. He would therefore merely point out that the presence of Arab refugees was attributable to the refusal of the Arab countries, in 1947, to abide by General Assembly resolution 181 (II), as United Nations documents proved.

36. It was difficult to see what bearing the question of German reparations had on the matter under discussion; what had been put forward as an economic advantage was actually only an infinitesimally small compensation for the human potential—six million persons—which Israel had lost owing to the racial and anti-semitic Nazi régime. Israel wished, as did the entire civilized world, that the acts to which the compensation related had never been committed.

37. It was also incorrect to state that the Arab inhabitants of the State of Israel were subjected to discriminatory treatment; the schools provided for their children—boys and girls—compared favourably with the schools of any Arab country in the region; they had full trade-union rights and their trade unions were certainly more active and more powerful than those in many countries in the region. Moreover, such institutions as slavery were unknown in Israel. And while the Arabs in Israel were well treated the same could hardly be said of the Jews in Egypt.

38. In conclusion, he reiterated his protest against the improper exercise of the right of reply which the Committee had just witnessed.

39. The CHAIRMAN, in reply to the reference made by the representative of Israel to the improper application of rule 116 of the rules of procedure, stated that the list of speakers in the general debate had been closed before the Christmas recess, and that consequently rule 116 did apply.

40. Mr. KADRY (Iraq) said that in the general debate his delegation had stated that Iraq was determined to spare no effort to promote international co-operation. However, as the question of the boycott had been raised he felt bound to add that it was impossible to co-operate with those who employed nothing but force and aggression to accomplish their purposes. Israel's actions had been utterly inconsistent with the concept of international co-operation, and the comments just made by the representative of Israel had been a forceful reminder of a situation which, since the partition of Palestine, had grown steadily worse, only to culminate in the events of the past few months.

41. Sir Alec RANDALL (United Kingdom) replying, under rule 116 of the rules of procedure, to the representative of Egypt, who had implied that the United Kingdom had appropriated for its own use the sterling holdings of Egypt, pointed out that those holdings derived from the sums spent by the United Kingdom in defending Egypt and many other countries against the monstrous tyranny of Nazism. What would be the condition of Egypt today if the United Kingdom and its allies had not been prepared to make the immense sacrifices they had made?

42. The representative of Egypt had stressed the need for a favourable climate for foreign investment. That was a praiseworthy sentiment. Yet surely nothing could have been more calculated to undermine confidence in the Egyptian economy than the sudden expropriation carried out, with no previous negotiation, by the Egyptian Government in the summer of 1956.

43. The representative of Egypt had denounced colonialism as one of the harmful forces which had hampered the development of the Non-Self-Governing Territories. The huge investments which had been made in those Territories clearly showed that that was nonsense. Without such investments many Territories could never have hope to aspire to self-government and independence. The persistent practice of judging nineteenth century events by twentieth century standards was objectionable and misleading; it was high time that irresponsible propagandists ceased deliberately to ignore the achievements of the twentieth century and in particular the efforts made in the past twenty-five years to promote the economic development of the Territories under British administration.

44. The representative of Egypt had expressed the hope that a climate favourable to the economic development of the under-developed countries would be created; but the language he had employed was not such as to facilitate the attainment of that end, so much desired by all the members of the Committee.

45. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) said that, in his statement to the 402nd meeting, the Under-Secretary for Economic and Social Affairs had drawn a flattering picture of the economic position of the capitalist countries, but had referred to the economies of the socialist countries in unjustifiably critical terms. He had glossed over the shortcomings of the capitalist countries and had attempted to minimize the achievements of the socialist countries, particularly as regards the standards of living of their peoples. His

delegation accordingly could not agree with that part of the statement.

46. Some members of the Committee did not seem to be fully aware of the importance of a policy of industrialization as a basis for the economic development of countries. His delegation intended to return to that question later.

47. The United Kingdom representative had referred to the Cuban representative's quotations from Soviet publications, which had been used with the intention of distorting the truth. In that connexion, he would like to say that a thorough and conscientious study of Soviet economic literature and, in particular, of its literature on political economy, would permit a better understanding of the advantages of the socialist method of production, in which his country believed.

48. The representative of Australia, who apparently opposed the idea of convening a world economic conference to discuss a number of international problems, seemed to think that the Second Committee was a suitable place for that purpose. His delegation did not agree, for various reasons. The Second Committee was usually burdened with a number of other urgent questions connected with the complex and multifarious activities of the United Nations in the economic field. The matter was one of such scope and importance that its examination and—still more important—the adoption of positive decisions, including that of the setting up of an international trade organization, called for separate consideration.

49. Unlike the United States representative, he thought that an appropriate international organization should be set up to deal with key sectors of international economic relations. His delegation sincerely believed in peaceful coexistence, which implied economic co-operation among all countries, whatever their political or social systems. Some delegations considered that it would be undesirable to convene a conference at the present time because, according to them, the political atmosphere was unfavourable. The Soviet Union delegation believed that a frank and thorough discussion of pressing economic problems, and their partial or, better still, complete solution would contribute in large measure to the reduction of international tension and the securing of peace and friendship between peoples. There could be no doubt but that the convening of a world economic conference would contribute to the attainment of such goals.

50. Mr. TODOROV (Bulgaria), exercising the right of reply, explained to the representative of Canada that the Bulgarian delegation, in grouping countries into three broad economic categories, had been expressing a view also held by many other delegations and, indeed, reflected in United Nations documents, including the recent statement by the Under-Secretary for Economic and Social Affairs. The representative of Canada was free to disapprove of the classification proposed by the Bulgarian delegation, but in holding it up to scorn simply because it had been proposed by that delegation the Canadian representative was showing a total lack of impartiality and his attitude could only be described as tendentious.

51. Mr. RECABARREN (Chile) complimented the Colombian representative on the lucid and frank comments he had made at the beginning of the general debate. (402nd meeting.)

52. Chile ranked among the Latin American countries which had been trying to industrialize for many years. Chile's efforts had been intensified since 1941, when the

Corporación de Fomento de la Producción had been established, but they had met with the difficulties mentioned by Mr. Urrutia, principally the shortage of capital.

53. Referring to the report of the Economic Commission for Latin America (ECLA) on international co-operation in a Latin American development policy (E/C.N.12/359) prepared for the Conference of Ministers of Finance and Economy held at Rio de Janeiro in November 1954, he noted that out of \$527 million in foreign capital which had been invested annually in Latin America between 1950 and 1953, \$342 million represented private capital originating in the United States and \$79 million represented loans granted by the International Bank for Reconstruction and Development and the Export-Import Bank. The figure of \$79 million—or no more than 18 per cent of the annual total of foreign investments—corresponded to only 3 per cent of the national capital invested during the same period, which had amounted to \$2,240 million. Those figures showed how important it was to increase investments of foreign capital, particularly public capital, which represented a less heavy liability for the balance of payments. In the past, an average of 30 per cent of foreign private capital had been invested in mining operations; preferably that percentage should not increase. It was also desirable that the funds invested should exceed the funds repatriated in the form of dividends and profits. Lastly, ECLA had shown that foreign capital, if it was applied to some extent to the financing of social projects, could play a material part in curbing inflation.

54. In its preliminary study of the technique of programming economic development (E/C.N.12/292), ECLA had noted that in order to maintain its rate of development—3.3 per cent per annum up to 1952—Latin America needed gross annual investments amounting to \$1,000 million. On the assumption that foreign private capital would furnish in the future approximately one-third of that amount—\$350 million—and that public credit institutions would furnish an average of \$80 million, a balance of \$580 million would have to be made up.

55. The Chilean Government attached so much importance to the financing of Latin America's economic development that it had submitted a programme to the International Bank for Reconstruction and Development for overhauling the entire structure of the country's economy. The Bank's experts had described the programme as one of the most exhaustive they had ever seen; the implementation of the programme was one of the Chilean people's deepest aspirations. He added that the legislative provisions enacted in the past two years with respect to the copper industry had made it possible to attract large sums of foreign capital; for example, in 1956 alone a total of \$130 million had been invested.

56. He discussed the reasons for the insufficient flow of foreign capital to Latin American countries. The ECLA report to which he had referred analysed the problem and mentioned two groups of barriers: those pertaining to the countries themselves and those deriving from the policy of international credit institutions. In addition to such technical barriers there were, he thought, psychological barriers. By that he meant situations which were believed to exist but which in point of fact did not. It was commonly said, for instance, that the Latin American countries should first of all put their own house in order; but, he contended, one should not underestimate the progress already achieved. It should be recognized that without the assistance of for-



eign capital radical reforms could be carried out only at the expense of further cuts in the standard of living, which was already so low.

57. The paralysing intervention of the State was also a common complaint. Yet in the modern world State intervention was universally accepted and was beneficial when it tended to prevent anarchy and promote social and economic progress. Even in the United States, the land of free enterprise *par excellence*, the public authorities intervened in the economic field; for example, in order to support agricultural prices. Chile, after a trying experience with pronounced interventionism, was gradually evolving towards a more realistic policy which gave private initiative great latitude.

58. Lastly, the proverb "charity begins at home" was frequently quoted; it was proposed to make the establishment of SUNFED contingent upon the disarmament of the Great Powers. While the Western Powers should of course apply a large part of their resources to defence against possible armed intervention by the Soviet Union, it was also necessary to think of the underprivileged peoples exposed to the infiltration of the Communist ideology. The best way of forestalling such infiltration was to raise the standard of living of those peoples. If international co-operation continued to hinge on disarmament, the freedom-loving countries of Latin America would have to resign themselves to peace without justice which, in one sense, was hardly different from the peace without freedom familiar to the peoples under the Soviet yoke. Chile for its part was profoundly devoted to Western ideals; it had seen

its Communist party lose much ground, and it was convinced that the ideals in which it believed would ultimately triumph.

59. He did not underestimate the efforts which the United Nations had exerted, and continued to exert through the Economic and Social Council and the regional economic commission, to encourage the development of the under-developed countries; but a great deal still remained to be done. Highest priority should be given to the establishment of SUNFED, which would help to cover part of the \$580 million shortfall he had mentioned. No sound reason could be advanced to delay the establishment of SUNFED. In view of the considerations he had stressed, he hoped that the Committee would adopt the draft resolution co-sponsored by Chile (A/C.2/L.296).

60. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) said he was at a loss to understand what had impelled the Chilean representative to speak of the possibility of armed intervention by the Soviet Union. That was a groundless assertion, utterly inadmissible to the Byelorussian delegation. The Soviet Union and other socialist countries had always practised a policy of international co-operation and friendship, as evidenced by all the proposals they had submitted in the past to various United Nations organs as well as by the USSR proposal now before the Committee. He therefore wished to protest strongly against any statement of the kind just made by the Chilean representative.

The meeting rose at 6.10 p.m.