

United Nations
**GENERAL
ASSEMBLY**

FIFTEENTH SESSION

Official Records



**SECOND COMMITTEE, 646th
MEETING**

Wednesday, 12 October 1960,
at 3.15 p.m.

NEW YORK

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^{1/} Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda items 2 and 4.

^{2/} Ibid.

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Land reform (A/4439) (continued)

STATEMENT BY THE UNDER-SECRETARY FOR ECONOMIC AND SOCIAL AFFAIRS

1. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs),^{4/} after recalling the fairly widespread optimism of the preceding year, noted that current conditions had given rise to uncertainty. True, the level of industrial output had never been so high; harvests had generally been good, and international trade was breaking records for volume and value. But the picture had its less auspicious sides: in the United States the upward trend appeared to be wavering. There had been a sharp fall in the inventory accumulation rate, which resulted in a falling-off in the rate of growth of industrial production, a considerable under-utilization of productive capacity and a higher-than-average level of unemployment, notwithstanding an increase in exports and the maintenance of high levels of consumption and fixed capital investment. In Canada, the outlook was perhaps even dimmer. In Western Europe, the main factor in the slow-down had to be sought in the position of supply rather than in that of demand; the briskness of domestic demand had, indeed, more than offset the slackening of exports. However, should a recession occur in the United States, it would probably have an effect on the West European economy, and it would be rash to count on a repetition of the extraordinary increase which had taken place in 1957-58 in the importation of manufactured goods by the United States.

2. While it was difficult to predict what the coming year held in store for the industrial countries, some difficulties did appear to lie ahead for the under-developed countries. It was true that many of them had had a share in the recent upsurge in world trade and that, as a result of the increase in the flow of public and private capital, their official cash reserves had not, on the whole, fallen below the 1959 level and had thus enabled imports to recover. On the other hand, the terms of trade were again deteriorating. The unit value of manufactured goods was again on the increase; the primary commodity index, by contrast, had dropped below the 1959 average during the first quarter of 1960. In view of the adverse course of the balance of trade, which frequently raised the level of foreign debt, some anxiety was bound to be felt regarding the foreign-currency earnings of many under-developed countries. Some such countries might be impelled to cut their imports, a course which would impede the execution of their development programmes and depress the level of activity in the industrial countries.

^{3/} Ibid.

^{4/} The full text of the statement made by the Under-Secretary for Economic and Social Affairs was circulated as document A/C.2/L.458.

3. One could not yet speak of a recession, and there were factors making for resistance and strength in the economy of the industrial countries which might succeed in averting the threat. But the glittering prospects which had seemed to be held out a year ago had not fully materialized. What was perhaps more disturbing than the way in which index figures were moving was the irresolution, and even on occasion the controversies, which continued to affect the decisions taken by Governments in the face of the problems recurrently raised by the general economic situation. Opinion remained divided with regard to anti-cyclical policies. The different doctrinal positions had not been brought much closer, and the return to external convertibility had only complicated the terms of the problem. The choice of anti-cyclical methods became more hazardous when the various capital markets were closely connected, when short-term movements were quick to respond to differences in interest rates and when there was apparently as yet no response by the leading Powers in the form of concerted efforts to strengthen the balance of the international payments system. The recent growth in the reserves of the International Monetary Fund had not eliminated entirely a problem of international liquidity which restricted the freedom of action of certain Governments in the manipulation of interest rates. Nevertheless, the solution of that problem should not be beyond the powers of the international community, which had already made striking advances in the sphere of economic co-operation.

4. The recessionary movements continued to create critical problems in countries exporting primary products, by gravely jeopardizing the rational execution of their development plans and programmes. Despite the efforts made at the international level, the external income of under-developed countries continued to fluctuate inordinately. The attempts made to counteract the collapse of market prices often created new problems in the form of the accumulation of surplus stocks, as, for example, in the case of coffee and grains. Hitherto, the schemes put into operation to make use of those surpluses had been powerless to prevent them from growing. The disconcerting fact that surpluses could exist simultaneously with famine reflected one of the structural imbalances which persistently influenced the operation of the world economy; that imbalance required a much more vigorous attempt to solve all aspects of the problem of adapting resources to world demand, in particular protectionism and fiscal policy. A bolder and more sustained policy of surpluses would perhaps be conceivable. The wheat and rice agreements concluded early in 1960 between the United States and India showed how beneficial action of that kind could be. The difficulties, moreover, were not confined to agricultural produce. Despite the high level of industrial activity, consumption of several of the principal metals had been lagging somewhat behind in relation to the pace of actual production, or at any rate production capacity. Thus, the lead and zinc, tin and copper producers had been obliged to make or maintain arrangements restricting their production.

5. In view of the slow rate of progress achieved in the field of commodity price stabilization, greater interest was naturally being focused on the question of compensatory financing for producers to offset excessive fluctuations in prices. In that connexion, it would be interesting to see the conclusions of the group of experts which had been convened under General Assembly

resolution 1423 (XIV) to examine that problem. Spectacular proposals could hardly be expected, but no measure should be regarded as insignificant so long as it could lessen the effects of price instability on the importing capacity of the under-developed countries. The Commission on International Commodity Trade was apparently becoming more and more important as a meeting-place for exchanges of views between Governments; those exchanges of views, especially when statistical and analytical documentation was used as background material, provided more comprehensive data on which to base economic decisions. It was to be hoped that a process of genuine consultations with concrete measures as their aim would evolve one day from those study meetings. In that respect, the joint session of that Commission with the Committee on Commodity Problems of FAO might prove a new starting-point in international action with regard to primary commodities.

6. For the under-developed countries, the problem of instability was bound up with the problem of the deterioration in the terms of trade. The lack of balance between the rate of growth of exports in the under-developed countries and the rate of increase in production in the industrialized countries was a factor which seriously complicated the problem of economic development. As the Secretary-General had said in a statement (E/3394)^{5/} to the Economic and Social Council in July 1960, expansion of trade was essential to under-developed countries because it provided the key for the acceleration of economic growth without inflation and without balance of payments difficulties. Consequently the most important problem in world trade lay in the lag of world demand for most primary commodities in relation to the rate of growth in the industrialized countries. The Secretary-General had added that any relaxation in the policies of the industrial countries in the interests of promoting exports of under-developed countries would make a significant contribution to their economic development and to the closer economic integration of the world community. He had also felt that the time had perhaps come when the United Nations should consider whether concerted action for the expansion of international markets for exports of under-developed countries might not bear fruit.

7. The objectives of such an expansion had necessarily to be general and qualitative, but it was clear that the task of harmonizing economic policies on the basis of commonly agreed objectives could not for ever be postponed. There were signs that the General Assembly had already become conscious of the need for such an undertaking. At the fourteenth session, upon the initiative of the Indian delegation, the Second Committee had prepared the ground for action that would lead to the definition of an all-inclusive goal in the light of which Governments could prepare their plans and policies in a more rational manner. Subsequently, the Economic and Social Council had decided (resolution 777 (XXX)) to undertake a study of long-term economic projections and had explicitly recognized that it was a permanent part of the functions of the United Nations systematically to examine world economic development. In that difficult long-term endeavour, there was one sector which might perhaps produce more rapid results—namely, international assistance.

^{5/} Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda items 2 and 4.

8. International financial assistance to the under-developed countries was undoubtedly one of the most striking achievements of the last decade. Over the past five or six years the total volume of the transfers of capital in the form of international public assistance had regularly increased by about 15 per cent per annum—a rate higher than that of the average growth of export proceeds or of other sources of foreign-exchange receipts in the under-developed countries—and it had not been subject to the same fluctuations. The ratio of the receipts from international assistance to the total volume of the export proceeds of the under-developed countries had, in a few years, increased from 9 to 16 per cent. During the recession periods 1953-1955 and 1957-1959 the increase in international public assistance had in effect made good more than 50 per cent of the deterioration in the terms of trade of the under-developed countries. During the two years 1958-1959, international public assistance had constituted almost half the value of the exports in capital goods of the industrialized countries to the under-developed countries. About one third, at least, of the total increase in fixed capital investment in the under-developed countries in the periods 1954-1956 and 1958-1959 had been attributable to international public assistance.

9. This increase in the international flow of public capital was all the more surprising in that it had been not the result of a preconceived plan but rather the outcome of a multiplicity of decisions taken individually and spontaneously by a great number of Governments, organizations and institutions. In view of the great results achieved, it might well be felt that a phenomenon of that magnitude could not be left indefinitely to the initiative of individual Governments. A modicum of planning and concerted action ought now to be introduced. There appeared to be grounds for hoping that henceforward Governments would be able to reach agreement on certain objectives, subject to periodic revision, concerning the volume of international assistance which was desirable. For that, it would be necessary for countries granting and receiving aid to assist the United Nations in improving the system of providing information on international aid, and for certain international definitions and standards with respect to the amounts and forms of such aid to be adopted.

10. The destination and modalities of the international aid would also have to form the subject of a comprehensive study, and the whole system of aid programmes would have to be reviewed so as to ascertain in what geographical sectors further efforts should be made and what form they should take.

11. The Second Committee should pay special attention to "pre-investment" activities. In point of fact, it had not yet been decided what the optimum sum of such

activities should be in relation to the world level of investments, and there was not even any precise information about actual expenditures under the various programmes of bilateral or multilateral technical assistance. Generally speaking, the United Nations should continue its efforts to assess world resources and plan their use.

12. However, there was no guarantee that this international aid would continue to expand steadily as it had done in the past few years. The new situation created by the return to convertibility and the unfavourable change in the United States balance of payments position gave rise to legitimate fears in that connexion. That was why it was encouraging to note that the study of measures conducive to a rational distribution of the total burden of international assistance between the various contributors had been undertaken. Countries which supplied the world with more goods and services than they received from it implicitly assumed the obligation of financing a fair share of that surplus through long-term foreign investment in the form of public grants or loans and the export of private capital. Unfortunately, there was no machinery which automatically produced compensatory movements of that kind and, unless the countries in question adopted consistent and adequate financial, fiscal or institutional measures, other countries whose capital exports exceeded their current balance of trade surplus might well be tempted or compelled to reduce the volume of their international economic aid or to make it subject to certain restrictions. It was because the problem had become urgent that the countries which were the principal providers of international public assistance had in 1960 inaugurated a system of periodic consultations to study the possibility of harmonizing and concerting their actions. If they were willing to take into account the sum total of factors affecting the mobilization of each country's resources to help the under-developed areas, their efforts might constitute a safeguard against possible fluctuations in the total volume of international assistance, which would occur if it were based on purely national considerations.

30. Admittedly, it had been a great step forward in the history of mankind when the United Nations had acknowledged that assistance to the under-developed countries was the common responsibility of all nations. But it was questionable whether the Organization had really met the new needs when its efforts to assist the under-developed countries of Asia, Latin America and Africa still amounted to less than the needs arising from a crisis in a single one of those countries. At a time when political tensions were reappearing, an appeal for economic co-operation between all peoples appeared to be more essential than ever before.

The meeting rose at 4 p.m.