



Friday, 21 December 1956,
 at 10.50 a.m.

New York

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Chairman: Mr. Mohammad MIR KHAN (Pakistan).

AGENDA ITEM 27

**Economic development of under-developed coun-
 tries (A/3154, A/3192) *(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);**
- (b) International tax problems: report of the Economic and Social Council;**
- (c) Industrialization of under-developed countries**

GENERAL DEBATE *(continued)*

1. Mr. LYCHOWSKI (Poland) said that the highly unusual speech made by the Cuban representative at the 406th meeting had been largely irrelevant to the subject under discussion and had provided scant information about Cuba's own economy. The Cuban representative had referred at length to Poland, but it was clear that he did not understand the problems of such a large industrialized country. He had merely gathered together a few press cuttings in an effort to support allegations that were clearly untrue.

2. Mr. DI BERNARDO (Italy) said that experience in Southern Italy had made his country deeply aware of the urgency of the problems of economic development.

3. His Government planned to eliminate unemployment and structural under-employment within a ten year period by establishing new productive activities, promoting industrialization and building an economic system which could encourage contractors. Such a programme could not succeed without massive capital investment in Southern Italy.

4. Flexibility was the keynote of his Government's economic policy. It was seeking to apply a series of economic measures which did not interfere with the working of a free economy and which were adapted both to the country's domestic needs and to the development of its foreign trade relations.

5. Economic freedom was inseparable from political freedom. The Secretary-General had stated in the introduction to his annual report (A/3137/Add.1) that many countries had to bring about an industrial revolution more rapid than that which had transformed Western European civilization and without the extreme social costs which had then been incurred. His delegation would add that it should not involve the loss of freedom either.

6. All efforts directed towards economic development should take place within a framework of monetary stability. Inflationary illusions could lead only to economic catastrophe. At the same time, economic development should be paralleled by an expansion of international trade. His Government was seeking to achieve a favourable balance of payments, not by the autarchic method of restricting imports but by the free encouragement of both imports and exports. In 1964 it envisaged increases of 55 per cent and 44 per cent respectively in the value of Italian exports and imports.

7. The fact that Italy expected to export increased quantities of machinery and chemical products to satisfy the growing demand of certain under-developed countries which had recently achieved their independence amply demonstrated that the industrialization of the less advanced nations was not only a laudable international undertaking in itself but also a means of benefiting the highly developed countries themselves.

8. The progress already made towards trade expansion should be maintained by both governmental and international action. Mr. de Seynes, Under-Secretary for Economic and Social Affairs, in his brilliant statement (402nd meeting), had already alluded to the efforts to establish a common market in Western Europe. Economic integration of that kind was one of the basic aims of Italian economic policy. As Mr. de Seynes had said, such integration would not weaken the ties of Western Europe with the rest of the world. Indeed, Italy felt that an integrated Western European economy should, in its own interest, be directed towards the exterior, and should play its part in assisting the under-developed countries.

9. Increased trade should be accompanied by a freer flow of capital. His delegation believed particularly in the efficacy of private capital investment in promoting economic development; every freedom and encouragement should be given to private investors. Italy welcomed the setting-up of the International Finance Corporation and the action recently taken by Governments to contribute towards its establishment. Italy had done much to ensure favourable treatment of foreign investors. In the case of the Special United Nations Fund for Economic Development (SUNFED), the main concern of which would be public investment, further progress appeared to be dependent on the conclusion of an agreement for world-wide disarmament. In the case of private investment, the only prerequisite was a

favourable investment climate and satisfactory safeguards for the rights of investors.

10. Italy's insistence on freedom in trade, labour, and capital development did not imply an attitude of inaction. The State obviously had to play an important role, but it should encourage economic development along natural lines with a minimum of interference. His country fully understood the desires of the under-developed countries and agreed with Mr. de Seynes about the need for change in the modern world. However, it was difficult for under-developed countries to bring about such a change without substantial amounts of public capital to finance infrastructure investments.

11. In its reply (A/AC.83/L1/Add.7) to the questionnaire sent to it in accordance with General Assembly resolution 923 (X) the Italian Government had declared itself in principle to be in favour of the establishment of SUNFED. It was very anxious to know the views of the countries without whose support SUNFED would be unable to operate.

12. Italy was prepared to co-operate fully in all United Nations activities to promote the economic development of the under-developed countries, for such activities were essential to world political stability.

13. Mr. BENN (Australia), after stressing the importance of the item before the Committee, said that the gulf between the rich and the poor countries was a certain cause of instability and discontent and was completely unjustified in a technological age.

14. Australia was an under-developed country in the sense that it faced major problems of economic development and had to import capital on a large scale to cope with them. Its main task was to mobilize the resources needed to provide its rapidly-growing population with the means of livelihood and to equip the country with a sound infrastructure. Strains arose partly from the conflicting demands for capital investment and for increased consumption and also from the fact that Australia's economic stability depended largely upon the export of a single commodity: wool. However, Australia differed from many under-developed countries in having a relatively high standard of living and a reasonable rate of internal investment.

15. Notwithstanding the rather disappointing picture of the world economic situation which Mr. de Seynes had presented in his interesting statement to the Committee, the Australian delegation believed that there was every justification for reasonable optimism regarding the prospects of rapid economic development in the immediate future. The world was much better organized and equipped to deal with the problem than it had been ten years previously, and was now much more conscious of its urgency.

16. Capital investment, though of prime importance, was not the only factor affecting economic development. In the present technological age development might be restricted by the inadequacy of natural resources, by the rising pressure of population or by the form of a country's political and social institutions. The capacity of countries to make productive use of investment capital depended largely upon their institutional and psychological readiness to accept the demands of modern technology. Some countries were facing that problem with less success than others.

17. Even under ideal conditions, the development of an industrial economy could not be accomplished overnight. The industrial revolution in Europe and North America during the eighteenth and nineteenth centuries

had been a long and painful affair, and there was every reason to hope that for countries now seeking to build up technological economies the process would be shorter. However, it was bound to take time, and patience was necessary.

18. It was natural and inevitable that the main burden of economic development in any under-developed country should fall on its own people. Even at the cost of sacrifices, they had to mobilize their savings for capital investment, build the political and social structure that would assist internal economic growth, and create a climate favourable for international investment. Above all, they must chart their own course, for nobody could determine for them the type of economic development at which they should aim.

19. At the same time, however resolute their efforts, international assistance of some kind was essential. Technical aid in particular was an urgent need and often a prerequisite for large-scale capital investment. Much progress had been made in recent years both in the scope of the aid given and in the techniques of transmitting it. Apart from bilateral arrangements for technical assistance, in many of which the United States figured as a generous donor, there were the United Nations regular and Expanded programmes of technical assistance. The Colombo Plan for Co-operative Economic Development for South and South-East Asia was also making a significant contribution in those regions. Technical assistance was handicapped not so much by lack of finance as by a shortage of experts who could be spared from other countries and by the formidable difficulty of organizing the assistance as efficiently as possible.

20. International support was also required for the provision of investment capital. Naturally, most of that had to come from domestic resources, but very often international loans or grants were essential to initiate a particular phase of development. The sources of such assistance were limited, and most Governments in a position to help were already extending capital assistance through various bilateral or multilateral channels. The operations of the International Bank for Reconstruction and Development and the International Finance Corporation were also of importance in that connexion.

21. The search for additional sources of international capital had become focused upon the proposed establishment of SUNFED. Australia would support any measure which it believed would make an effective contribution to the solution of the problems facing the under-developed countries as a result of capital shortages. To the extent of its limited resources, it was willing to furnish practical assistance. During the first six years of the Colombo Plan, Australia had contributed the equivalent of approximately \$70 million towards the cost of important development projects in South East Asia. It intended to continue to provide assistance through that channel. While reluctant to oppose any proposal for the establishment of SUNFED, it had serious doubts whether the time was propitious for proceeding with the establishment of SUNFED, and even whether the type of organization generally envisaged was best suited to the purpose.

22. So long as the main industrial countries were compelled to maintain heavy defence establishments, it was unlikely that funds would be forthcoming to enable SUNFED to make a significant contribution to the capital needs of the under-developed countries. To establish SUNFED before there was any real likelihood

of sufficient funds being available could only lead to frustration and disillusionment.

23. Furthermore, previous debates on the subject seemed to indicate that many Governments envisaged SUNFED as a kind of pool into which the contributors would place funds for allocation among recipients. The management of SUNFED and the final word in the assignment of resources would rest with the managing body composed of representatives of contributing and recipient Governments in equal numbers. For his delegation, that was not at all a satisfactory arrangement. In the first place, Australia's experience with bodies similarly composed prompted a very real apprehension that the interests of the two groups would quickly come to be regarded as conflicting. Furthermore, the results of voting in an inter-governmental body, which must inevitably be influenced by political and emotional considerations, would not be a proper basis on which to determine the distribution of available capital resources. Accordingly, before the General Assembly decided upon the establishment of SUNFED, much more study needed to be given to such questions as the availability of funds, the proper criteria for their distribution and the most appropriate kind of machinery to administer them. The replies of Governments to the questions of the *Ad Hoc* Committee (A/AC.83/L.1 and Addenda) were so conflicting and inconclusive as to provide no satisfactory basis for the establishment of SUNFED at the present stage.

24. Another source of capital to which attention was increasingly being given, particularly in the countries of Latin America, was private foreign investment. It had sometimes been contended that public and private investment were mutually exclusive, but experience was showing more and more that a combination of the two forms could be most useful. Public investment was obviously the best method of financing the development of public utilities, auxiliary services and basic health and educational facilities. Private investment could, however, make a valuable contribution to economic development. Some representatives had suggested that private investment was undesirable because it might jeopardize the economic independence of the recipient country. That argument, however, was absurd, as the example of the United States itself clearly showed. Australia, for its part, welcomed private foreign investment and did not feel that it constituted any threat.

25. Nevertheless, internal investment must always be the principal source of a nation's economic development and to that end every effort should be made to stimulate international trade, the means whereby the national income could be increased to a level at which substantial savings became available for investment. He hoped that Governments would work through the General Agreement on Tariffs and Trade (GATT) to bring about a lowering of the tariff barriers. The recently established organization for trade co-operation might provide the machinery necessary for a liberalization of world trade.

26. The most important sector of international trade for the under-developed countries was that of the primary commodities. It would be in their interests if there were an increase in the volume of trade in those commodities as well as a greater measure of stability in their prices and an improvement in the terms of trade of primary commodities as compared with manufactured goods. The Commission on International Commodity Trade recently established by the Economic and Social Council might be able to help in that direction,

but it was essential that the major industrial countries should take an interest. In the provision of capital on an international basis, however, the most important thing was that there should be confidence between the peoples and Governments concerned; the motives of the donor countries were often the subject of groundless suspicion on the part of the recipients.

27. With regard to the Soviet Union suggestion (404th meeting) for the convening of a world economic conference in 1957, the Australian delegation saw no need for a special conference: the Second Committee of the General Assembly was in itself virtually a world economic conference, and there were other United Nations bodies and agencies in which world economic problems could be discussed.

28. Mr. AMADOR (Mexico) said that increasing productivity and a higher standard of living were ultimately the surest guarantees of freedom and democracy. There had been a marked improvement in the world economic situation in recent years but, as the Mexican Finance Minister had remarked in a recent statement, the developed countries were advancing at a more rapid rate than the less developed countries: *per capita* production was now more than ten times greater in the industrialized than in the non-industrialized countries. It was, however, to the interest of the less developed countries that the industrialized nations should maintain the highest possible level of economic activity, for any disturbance in that activity could have disastrous consequences for the economies of the countries in the process of development. Nevertheless, it was important that all countries should help to accelerate that process, in order to close the gap between the levels of living of the minority and those of the vast majority of the world's population. His delegation believed that the industrialization of the under-developed countries, far from creating competition between them and the more advanced countries, would contribute to the expansion of international trade and to an increase in general economic prosperity. For those reasons Mexico maintained the attitude it had adopted at the tenth session of the General Assembly with regard to the establishment of SUNFED.

29. His delegation was glad to note from the interim report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2) that many Governments were of the opinion that SUNFED should be directed primarily to financing the economic infrastructure of the less advanced countries. The creation of a sound economic and social infrastructure was the essential prerequisite of industrialization and economic advancement. The Government of Mexico devoted the larger part of its investment funds to basic projects in the fields of fuel, power, transport, communications, housing, education and public health. Mexico was aware that its development depended primarily on its own efforts, and in fact some 96 per cent of the money being used for economic development came from the savings of the Mexican people. Private investment within the country was being stimulated more and more as the basic development projects were being completed.

30. In general, Mexico could report very satisfactory progress during the past two years, as could be judged from the information published in the documents of the Economic Commission for Latin America (ECLA) and from the report of the President of Mexico to the Mexican Congress in September 1956. There had been a remarkable rise in production and in gross *per capita* income, and a marked degree of internal stability. Agri-

cultural production—on which the future prosperity of Mexico depended—had in 1955 been the highest on record in the past thirty years. Cotton was Mexico's most important export, constituting in 1955 more than 30 per cent of total exports. Mexico looked forward to the time when the problem of surplus cotton disposal would have been solved so that it could allow its cotton production to expand again and could earn sufficient foreign currency to be able to increase imports and thus take a more effective part in international trade. As the Mexican Minister of Finance had said recently in Washington, the mere expansion of international trade was not enough: it was important that the primary producing countries should be encouraged to play a larger part in the world's economic growth.

31. Industrially, too, Mexico was by its own efforts making considerable progress. Again he would refer to the information in the ECLA publications. The index of industrial production in Mexico in 1955 had been 134, whereas the combined index of all Latin American countries had been 128. The petroleum industry—the most important for Mexico's economic development—had made tremendous strides during the past eighteen years.

32. Foreign investments in Mexico in 1955 had been greater in volume and more diversified in source, attaining an estimated total of \$960 million, deriving principally from the United States, Canada, Sweden, the United Kingdom, France, Germany, Italy, the Netherlands and Belgium. As the Mexican Minister of Finance had stated at the eleventh joint meeting of the International Monetary Fund and the International Bank for Reconstruction and Development, there was no conflict between private and public investment in Mexico; both contributed in parallel ways to achieving the essential economic goals of increased productivity and a higher standard of living.

33. Mr. MIGONE (Argentina), outlining the history of Argentina, said that the period from the adoption of the Constitution in 1853 until 1930 had been one of progress and international trade, despite the absence of an industrial policy. In the nineteen-thirties, the Government had taken steps to protect Argentina from the effects of the world depression and had launched a plan of economic development. One effect of the Second World War had been to accelerate Argentina's industrialization and to increase the purchasing power of its population. A period of dictatorship had followed the war, characterized by inefficiency with consequent losses to the national economy. The present Government, in power since the revolution of 1955, was faced not only with the serious problems inherited from the former régime but also with the forbidding task of achieving national economic recovery. The Minister of Finance had recently laid down a new economic policy based on international co-operation. Undoubtedly Argentina would overcome its present difficulties. It was to be hoped that the economically more powerful countries would pursue a generous international economic and financial policy.

34. The two main problems confronting the countries in the process of development were those relating to technical assistance and finance, to which the United Nations should continue to devote its particular attention. His delegation had suggested, at the twenty-second session of the Economic and Social Council, that regional centres for the study and development of natural resources should be set up as a preliminary step to the operation of SUNFED, and he hoped that the sug-

gestion would be kept in mind during the current discussion.

35. As the Secretary-General had pointed out in his last statement on the world economic situation,¹ the problem of basic commodities continued to be one of the most complex aspects of economic development. The United Nations should spare no effort, for example through the Commission on International Commodity Trade and the appropriate services of the Food and Agriculture Organization of the United Nations (FAO), to assist countries in understanding clearly the main aspects of those problems.

36. He sincerely hoped that the principal countries concerned, particularly the United States and the United Kingdom, would co-operate in the work of the Commission on International Commodity Trade. Argentina, which was keenly interested in the marketing of its basic commodities, hoped that the Commission would undertake a systematic analysis and assemble as much information as possible concerning commodity problems, including ways and means of counteracting instability in the world primary commodity market.

37. One problem with which his Government was especially concerned was that of surpluses. In that connexion he recalled the numerous recommendations made on the subject by FAO, the Organization of American States and GATT. Once again he drew the attention of the countries with surpluses, particularly the United States, to the need for precautionary measures, especially preliminary consultation, in order to avoid harmful effects on the economic development of the countries which might be affected.

38. Argentina attached fundamental importance to international trade and to the flow of capital. He therefore welcomed the progress made in many countries with regard to the liberalization of trade practices and the flow of capital. Commendable efforts to expand had also been made internationally, particularly in certain regions. During the previous decade, Argentina had suffered from a complex trade system hampered by a multitude of bilateral agreements which maintained rigid State control. Steps were being taken to remedy the situation quickly by reintroducing the incentives of a free market; at the same time, the Argentine producer was protected against excessive market fluctuations. The trade system had been simplified and the relationship of Argentine currency to foreign currencies was being put on a more realistic basis. One of the most important steps in that direction was the establishment in 1955 of a restricted multilateral system of payments with a group of European countries, known as the Paris agreement. The measures adopted by his Government to encourage the flow of capital included the removal of many controls relating to financial transactions with foreign countries.

39. In 1956, Argentina, had joined the International Monetary Fund and the International Bank for Reconstruction and Development; it had also benefited to a large extent from the United Nations technical assistance programmes.

40. The world was developing a more liberal system of economic relations, and artificial barriers impeding development were being eliminated. Many of the problems and obstacles in the way of development in the less advanced areas of the world were of an internal nature and could only be overcome by national efforts.

¹ See *Official Records of the Economic and Social Council, Twenty-second Session, 934th meeting.*

41. Argentina had found, for example, that one of the adverse effects of a State-controlled economic policy was that it produced an unduly large bureaucracy. The autonomy of the Central Bank had been destroyed and State control had extended to many sectors of the national economy such as transport, foreign trade and industry. The subordination of monetary policy to political expediency, together with a short-sighted fiscal policy, had led to an excessive increase in unproductive expenditure in relation to the country's taxpaying capacity. The disproportionate increase in the money supply compared with the slow growth of national income in real terms and the depletion of gold and foreign currency reserves had led to inflationary pressures which had seriously retarded national development.

42. Under the former régime, Argentina had suffered from the effects of a demagogic social policy which was not concerned with raising living standards or increasing productivity. Practically all the social security funds had been spent on the unproductive activities of the public administration. Under such conditions it had been futile to hope for any effective action to increase productivity.

43. The new Government had adopted remedial measures which already showed what results could be obtained by a fair and realistic policy. Under the new régime, the State limited its intervention to the protection of those sectors in which there was no trade union representation and to acting as a mediator through an arbitration tribunal in times of emergency.

44. Again, under the former régime industrialization, which was obviously essential to Argentina's economic development, had been subordinated to the arbitrary decisions of the Government. The new Government had abandoned the policy of unrestricted State intervention in economic policy, and was encouraging private initiative and individual responsibility. It was also considering denationalizing certain enterprises. The Government had entered into negotiations with some foreign enterprises in order to re-establish relations on a fair basis,

taking into account the need to protect national interests and to promote friendship with other countries.

45. The need for capital in the under-developed countries was immeasurably greater than the available resources. In that connexion, his delegation considered that the establishment of SUNFED would facilitate the international financing of economic development. He therefore hoped that the countries destined to play the major part in the establishment of SUNFED would do everything possible to ensure its rapid operation. The establishment of SUNFED would contribute substantially to strengthening peace and international co-operation. Yet other methods of international financing, such as the Bank, should not be overlooked. Argentina had taken steps to join the Bank in the hope that it would help to finance certain sectors of its economy. The possibilities of the International Finance Corporation were also extremely encouraging.

46. Argentina attached great importance to international private capital. Private investors could rest assured that capital invested in Argentina was well invested. His Government intended to keep the sectors suitable for investment under constant review. Its main interest was to obtain capital to be utilized in connexion with local economic undertakings. It had embarked on a policy of social advancement and solidarity in order to eliminate the class struggle and to create conditions favourable to the full and efficient development of private enterprise. Internationally, it had intensified economic, financial and technical co-operation without preference or discrimination, except that special consideration was given to neighbouring countries, for obvious reasons. The frontiers of Argentina were open to the exchange of ideas, people and products. Since it was far removed from the main crossroads of world trade, Argentina's participation in the world economy was due to the creative energy of its people. It hoped to play an even greater part in world trade in the future.

The meeting rose at 1.10 p.m.