

United Nations GENERAL ASSEMBLY

EIGHTEENTH SESSION

Official Records



SECOND COMMITTEE, 891st
MEETING

Friday, 11 October 1963,
at 10.45 a.m.

NEW YORK

CONTENTS

	Page
General debate covering all agenda items referred to the Committee (<i>continued</i>)	69
Organization of the Committee's work	72

Chairman: Mr. Ismael THAJEB (Indonesia).

GENERAL DEBATE COVERING ALL AGENDA ITEMS REFERRED TO THE COMMITTEE (*continued*)

1. Mr. LAATTO (Finland) said that the slight improvement in the position of the developing countries was merely temporary. The long-term trends of raw material prices and the sluggish rate of increase of exports still threatened to jeopardize the objectives of the United Nations Development Decade. It was therefore urgent to explore all measures which might alleviate the developing countries' hardships. During the nineteenth century, the growth of international trade had produced a rapidly increasing demand for primary commodities. However, in recent decades, the increase in value and volume of world trade had not brought about a sufficient expansion in the developing countries.

2. The present stage of growth in the industrialized countries was the result of a continuous shift in the structure of production, which involved a decline in the relative importance of labour-intensive production and an increase in that of capital-intensive production. One of the most interesting features of that trend was the rapid progress made in the "economies of use" of raw materials and in the production of synthetics. Capital-intensity was generally accompanied by economies of scale which, in turn, made it possible to lower prices. An increasing number of traditional raw materials produced by developing countries had thus to compete with synthetic substitutes obtained through highly capital-intensive production. That was undoubtedly one important cause of the difficulties facing those countries.

3. The theory of economic growth was practically non-existent. Hence knowledge of the essence of development was still rather limited. As the Under-Secretary for Economic and Social Affairs, Mr. de Seynes, had pointed out in his statement (881st meeting), intensified research would lead to a better understanding of economic development.

4. The report of the Economic and Social Council to the General Assembly (A/5503) clearly showed that important steps had been taken during the past year towards the promotion of international economic co-operation. The decision to convene the United Nations Conference on Trade and Development was undoubtedly most significant. The results of the preparatory work would undoubtedly provide a good basis for the con-

sideration of trade and development problems at the Conference itself. The Finnish Government attached particular importance to the GATT negotiations which would begin in May 1964. Through the parallel efforts made at the Conference and at the Kennedy round of negotiations, positive solutions could be found.

5. The considerable and welcome progress that had been made in technical assistance activities was clearly reflected in the increased number of projects launched, as well as in the growth of available resources. However, greater co-ordination between the various technical assistance programmes was necessary and his Government looked forward to the final report of the *ad hoc* Committee established under Council resolution 851 (XXXII) to co-ordinate technical assistance activities, which would be ready in 1964.

6. Although its *per caput* national income exceeded \$1,000, Finland was faced with some of the problems which an increasing number of relatively highly industrialized countries faced and which were not entirely unlike those with which the developing countries were confronted. For example, its traditional timber resources would very soon no longer be sufficient for continuing increases in production. If Finland was to avoid the growth-retarding effect of inadequate export earnings and balance-of-payment difficulties, it must expand its production, particularly in the engineering sector. However, domestic markets, based on a population of only 4.5 million, were much too small to permit the establishment of new large-scale, capital-intensive industries operating at maximum efficiency. An increase in exports was the only hope. But there Finland had to compete with the old industrialized countries. An expansion of domestic output might easily result in over-production caused by a lack of competitiveness.

7. That raised the question of long-term planning. In that connexion, his delegation had also noted with satisfaction the emphasis which Mr. de Seynes had laid on "incomes policy". Being well aware of the complexity of national planning, Finland had good reason to express its appreciation of the valuable work done by the relevant United Nations bodies. The United Nations had shown an awareness of such problems and a determination not to be paralysed by the magnitude of the task.

8. Mr. LOUTOU (Niger) pointed out that the Committee's work was of particular importance to the under-developed countries, including his own. Among the Committee's achievements must be included the United Nations Development Decade and a number of important resolutions of the General Assembly, some of which were being carried out by the specialized agencies, whose efforts he commended. Positive steps had been taken towards improving the climate of international economic co-operation since the end of the seventeenth session; for example, prices of primary commodities had improved and the Special

Fund now had in hand 327 projects of assistance to some one hundred countries.

9. Niger expressed its gratitude to the countries and international organizations which had furnished bilateral or multilateral aid to it. It remained convinced, however, that even the maximum amount of aid could do nothing for a country which did nothing for its own development. The first indication that an under-developed country was trying to help itself was the formulation of a coherent programme and line of action. That was why Niger had defined its national objectives and assigned priorities to them in an interim plan, covering the years 1961-1963, which was designed to bring about an annual rate of growth of approximately 5 per cent and to promote agricultural productivity and education. Great importance was given to improving the system for the purchase and distribution of consumer goods and, in that regard, Niger had created a great many semi-governmental companies to ensure fair prices for consumers. It would be a mistake to consider the establishment of such companies as a threat to the private sector or to private capital, which had ample guarantees under the investment and oil codes. Niger was also making great efforts to harmonize its development with that of the geographical region to which it belonged and those efforts, which were fully compatible with the objectives of the United Nations, had been recognized by the Organization of African Unity, soon to hold its first economic conference at Niamey.

10. His country's programme, though modest, was a heavy drain on its resources and it therefore continued to need international assistance. While Niger was grateful for the assistance it had received, it was convinced that the resources so far provided to the proletarian countries could be increased without doing harm to the privileged nations. No country so far spent as much as 1 per cent of its national income on multilateral assistance, whereas world military expenditures amounted to more than two thirds of the total income of the developing countries. Moreover, the under-developed countries often had to comply with complicated formalities which delayed the provision of assistance to such an extent that when it finally materialized, it was already inadequate to meet requirements which had increased in the meantime. Only the more advanced of the developing countries were in a position to comply with such formalities. His delegation therefore hoped that both international and national organizations would improve their machinery for dispensing aid. In that connexion, he welcomed the proposal to establish a United Nations training and research institute, which would provide experts versed in the functioning of international organizations to the countries which most needed them.

11. His delegation had been encouraged by the United States representative's statement that the developed countries did not wish the peoples of the developing countries to remain hewers of wood and drawers of water and hoped that that statement reflected a desire to see the developing countries become equal trading partners, able to exert an influence on the course of world trade.

12. Much had been said about the stabilization of commodity prices, but a readjustment of prices must precede any stabilization because the prices to be guaranteed must be fair. A further step towards

equitable economic co-operation would be a sound international division of labour. At present, many of the industrialized countries were beginning to produce goods which they had hitherto purchased from the under-developed countries or to develop import substitution. Such steps put unbearable pressure on the under-developed countries by barring them from world markets and making expansion impossible. Again, although the developing countries were encouraged to industrialize, they were given no help in reconverting industries which did not require a high level of technical skills. If economic co-operation was to have a real meaning in the future, the technically advanced countries would have to leave the production of simple manufactures to the new countries and specialize in products requiring a high level of technical skill.

13. All assistance involved certain burdens; that was why Niger considered that the most effective aid was that which was self-liquidating, although that goal might sometimes seem contrary to the motives underlying certain forms of assistance, especially bilateral aid.

14. Mr. AYARI (Tunisia) said that the topic of international trade became more and more urgent as the United Nations Conference on Trade and Development drew nearer and as existing international trade patterns became increasingly disorganized. The problems of international trade must be constantly viewed in the light of an increasingly interdependent international economy, subject to a continuing process of development. The fact that the representatives of the developing countries were expressing anxiety about the present structure of international trade clearly showed that an optimum or even satisfactory structure could no longer be reconciled with the Ricardian division of labour and that international trade was no longer merely a question of foreign exchange balances between the great industrialized countries, even though it was sometimes thought that the industrialized nations of the West with their convertible currencies were the sole masters of the international monetary system.

15. Neither centralized planning nor the price mechanism in the market-economy countries could continue to relegate international trade to a secondary role. The liberal-conservative school of economists attributed the trade and economic crisis through which the Western world was passing to a decline in the regulating role of the market and of private enterprise, particularly small-scale enterprise, which was being increasingly supplanted by a managed and planned economy, and to the replacement of the discipline of the gold standard and the gold-points system by the existing gold exchange standard. In other words, free consumer demand was being replaced by planned demand. Despite that diagnosis, the economic role of the State and monetary authorities was being intensified in the Western industrialized countries, which were becoming increasingly committed to a Keynesian doctrine and a nationally administered and internationally co-ordinated monetary and financial policy. For historical reasons, Western Europe and the United States had lost some of their confidence in the doctrine of free trade. In addition, the Western economies had to meet the requirements of domestic growth and of international economic and social co-operation. For them, international trade was a way of meeting those requirements and of contributing to the establishment of a new order of economic relations which was non-mercantile and

non-Ricardian in the sense that it ensured the distribution of growth and well-being among all the trading partners. Unfortunately, the latter function of international trade was not always adequately fulfilled. Movements towards regional economic integration among some Western European countries were accompanied by protectionist measures which understandably alarmed other countries, particularly the developing nations.

16. The liberalization of trade and the degree of monetary convertibility attained in Europe by 1958, within the Organization for European Economic Co-operation (OEEC) and the European Payments Union (EPU), had led to the over-optimistic conclusion that Western Europe was ready for a new era of free trade. However, in order to achieve accelerated economic growth in Europe, a more rigid political and economic framework than the OEEC had been needed. Together with the EPU, the OEEC had to some extent reconstructed the infra-structure of European prosperity; the next step had been to build on that infra-structure. That had been the purpose of the Treaty establishing the European Economic Community, signed in Rome in 1957, the logical outcome of the prevailing situation. Although several concessions had been made to third countries under the Treaty of Rome, the prosperous European Economic Community should help third countries in the process of development still further by opening markets to them and ensuring better prices for their exports. By so doing, the Community could become a powerful instrument for promoting the economic growth of the developing countries and improving international co-operation. The means to achieve that end would have to be worked out through negotiations and in a spirit of goodwill and would be one of the principal topics at the forthcoming United Nations Conference on Trade and Development.

17. The increasing importance of foreign trade to the centrally planned economies was a sign, not of the failure of centralized planning, but of the economic growth of the socialist countries. Foreign trade must play a dynamic role in the expanding economies of the member countries of the Council for Mutual Economic Assistance (COMECON), which were seeking a new international division of labour and trying to improve their co-ordination. For those countries, foreign trade would be an appreciable source of strategic goods. It would enable socialist planners to achieve a better inter-sectoral distribution of domestic and imported factors of production. That distribution was needed to achieve accelerated economic growth, which would increase the socialist countries' capacity to import and consequently their imports from the developing countries. The United Nations Conference on Trade and Development should consider the important topic of the interdependence between the economic growth of the socialist countries and their capacity to import goods from all countries, particularly the developing countries.

18. The problems of trade between different countries were thus interdependent and foreign trade was a dynamic element, particularly in the economic development of the developing countries. During the five centuries of colonization by the great European Powers, world trade had always been based on the traditional concept of the international division of labour and had consisted exclusively of trade between the metropolitan Powers. The political independence of the former colonies posed a new problem in inter-

national economic and trade relations. The economic and social development of the developing countries had become an integral part of those relations, and the developing countries' foreign trade had become an integral part of the international trade picture. In order to achieve mutually beneficial integration, the concept of conflicting national and regional interests would have to be replaced by the concept of the interdependent growth of different countries.

19. The interdependence of international trade problems was rarely emphasized; instead, a distorted image was often presented, according to which the developing countries could expect only gifts, and any increase in the prices of their exports could be only a disguised gift for which the importing industrialized countries received no compensation. However, that image did not take into account the fact that the economic expansion of the developing countries and that of the industrialized countries were interdependent. That interdependence, which should be constantly borne in mind by the authorities in the industrialized countries, transcended the short-term requirements of trade balances and exchange reserves. It was often claimed that the Western countries could not increase their consumption of the developing countries' exports. As soon as a developing country was in a position to produce and export in competitive conditions, the industrialized countries closed their doors, afraid that the imported products might disrupt their own markets. Their attitude was the logical outcome of continuing belief in the law of comparative advantages and in the Ricardian division of labour.

20. It would be necessary to change entirely the basis of the traditional division of labour. The concept of comparative production costs was too basic to be simply rejected. However, it assumed a quite different significance when, instead of the traditional postulate of the immobility of production factors and of the differential natural wealth of countries, consideration was given to the possibility of transferring human, financial and technological resources from the wealthy to the developing countries. The conditions for that transfer could no longer be commercial but should be defined as part of a concerted international policy. That had been the basic purpose of the recent United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Areas. In other words, there should be an international redistribution of the means of production to enable the developing countries to industrialize in a way which would be economically and socially viable over the long term. Such a division of labour would have to be achieved among groups of nations, which would first undertake the optimum distribution of the factors of production among economic sectors. Regional integration was therefore a necessary prerequisite for a new international division of labour; it would make it possible to diagnose the economic and social problems of the members of the regional grouping and formulate suitable solutions. The United Nations Conference on Trade and Development should consider regional integration in that light.

21. The new division of labour, in which protectionism would be only a passing phenomenon, would result in the mutual stimulation of exports between nations. The international monetary order would be better adapted to the new conditions of international trade and concerted international solutions would be found to major economic problems such as convertibility,

transferability and exchange reserves. The financing of international trade would no longer be considered as a unilateral transfer of capital from developed to developing countries but as a catalyst in the growth of all the trading partners. So conceived, international trade would strengthen international solidarity and lay the foundations for universal prosperity.

Organization of the Committee's work

22. The CHAIRMAN suggested that the following time limits should be set for the submission of draft

resolutions: 18 November for draft resolutions on trade; 25 October for those on agenda items 12 (except chapter VIII of the report of the Economic and Social Council), 33, 35, 39 and 76; 1 November for those on item 34; and 8 November for those on items 12 (chapter VIII of the Council's report), 36 and 37.

It was so agreed.

The meeting rose at 12.5 p.m.