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Chairman: Mr. Ismael THAJEB (Indonesia).

GENERAL DEBATE COVERING ALL AGENDA ITEMS REFERRED TO THE COMMITTEE

1. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs)^{1/} stressed the importance of the United Nations Conference on the Application of Science and Technology for the Benefit of the Less Developed Countries, which had been held at Geneva in February 1963. With the publication of the eight volumes covering the proceedings of the Conference, its lessons could be widely disseminated with a view to encouraging specific undertakings. That conference was one of a series, such as the United Nations International Conferences on the Peaceful Uses of Atomic Energy (1955, 1958), the United Nations Conference on New Sources of Energy (1961) and the World Food Congress (1963), which, by their nature and scope, their rapid succession and the promise they held out of collective action, were indicative of great changes in the method of approaching different problems. It must henceforth be considered how such conferences could be guaranteed a permanent place in the life of the United Nations.

2. Thus the new responsibility shouldered by the United Nations was precisely defined: to facilitate the birth and development of an indigenous technology, to encourage the modern spirit of science and technology in societies where so far that spirit had been implanted only in patches and to prepare the institutional changes which such development required. Now that the expenditure directly associated with scientific progress sometimes reached astronomical figures and involved the mobilization of the best brains, it was important to bear in mind the onus, in terms of manpower and money, which that new responsibility implied for the international community. The scientific world, too, must become more deeply involved in the accomplishment of that collective enterprise; it must be more aware of the new hierarchy of problems and values which was progressively emerging in the United Nations and it must maintain the links forged, on the occasion of the Conference, with the United Nations. The establishment, by virtue of the Economic and Social Council's decision (resolution 980A (XXXVI)), of a permanent committee composed of the most outstanding individuals in the scientific world was an

essential step in ensuring the necessary co-operation, which had hitherto been only sporadic.

3. At a more prosaic level, the examination of current economic developments revealed a number of encouraging features. World agricultural production, which had hardly increased between the crop years 1960-1961 and 1961-1962, showed a rise of 2.5 per cent in 1962-1963. Perhaps even more significant, food production had expanded in similar proportions, marking an advance in per caput food supply. In 1962, mining production had risen 6 per cent and manufacturing 7 per cent, marking a definite advance over the rate of increase for the preceding year. To judge by the still fragmentary data available, that trend seemed to have been maintained in the early months of 1963.

4. Those various expansionist forces were reflected in an increased flow of trade. There had been a growth of 5 per cent over 1962 in both the value and the volume of world exports. However, far and away the most important advance was the rise in commodity prices, the general index of which had for the first time in five years slightly exceeded the average for 1958. It was too early, however, to conclude that the tide had turned for good for, in the case of certain agricultural products, the rise in prices was rather the result of special circumstances, bad weather or speculative operations. It would therefore be premature to revise the fundamental hypotheses upon which recent United Nations action had been based.

5. Economic policies had recently been affected by certain trends, sometimes involving innovations or revisions, which, while differing from one country to another, nevertheless had one point in common, namely a greater degree of pragmatism and flexibility in the pursuit of economic progress.

6. Thus, several under-developed countries had undertaken a revision of their economic programmes, on the basis of a better appraisal of resources, with a view to seeking a realistic compromise between needs and objectives and correcting certain errors in the choice of investments which had sometimes resulted from an over-optimistic estimate of foreign exchange resources. In that connexion, the method being worked out within the framework of the Alliance for Progress and aimed at reducing the uncertainties attaching to the external receipts sector through a better adjustment of national ambitions and the international resources available, seemed to be an innovation with far-reaching implications.

7. In the centrally planned economies, the movement of reform which had begun in the 1950's seemed recently to have been accelerated. As in every industrial society evolving towards greater complexity and diversification, "optimization", which was aimed at a better allocation of over-all resources, was superseding "maximization", which was characterized by the desire to boost the production of certain sectors to the

^{1/} The complete text of the statement made by the Under-Secretary for Economic and Social Affairs was circulated as document A/C.2/L.722 and Corr.1.

highest possible level. Enterprises were being allowed greater autonomy, and the preference for self-sufficiency had been succeeded by a propensity to seek an expansion of international trade, which was manifested in a certain division of labour among the member countries of the Council for Mutual Economic Assistance (COMECON). The difficulties which might arise in the pursuit of that policy were inherent in any attempt at economic integration at the stage where the calculation of long-term advantages sometimes came into conflict with more immediate interests. Yet there again a pragmatic attitude seemed to prevail.

8. In the private-enterprise group of industrialized countries, the public authorities, in seeking to combat inflationary pressures resulting from the disparity between wage increases and rises in productivity, could not apply too strict a deflationary policy, which would be opposed by powerful social forces, or have recourse to manipulation of exchange rates; several Governments had accordingly tried to apply an "incomes policy", with varying degrees of success. Despite the difficulties encountered in maintaining differential rates ensuring the most effective distribution of labour and defining action applicable to income other than salaries and wages, it could seem inevitable that the incomes policy would eventually be expanded to cover capital incomes and the formation of savings and that it would henceforth be one of the chief concerns of the planners in the private-enterprise countries.

9. The advantages of this combination of the desire for planned action with a more pragmatic approach were borne out in particular by the advances recently achieved in international liquidity. It was true that there was as yet no consensus concerning the remedies or even the diagnosis. Some were concerned over the disparity between the expansion of international trade and that of monetary reserves, while others were sensitive above all to the risks in an inadequate supply of monetary reserves against fluctuations in the balance of payments of the major trading Powers and were particularly apprehensive about the effect of measures taken recently by the United States Government to reverse the balance-of-payments deficits of the past few years. Nevertheless, attitudes with regard to those problems had already changed considerably and it was now more readily admitted that the adjustments necessitated by a persistent disequilibrium in the balance of payments should be made gradually. Measures taken in recent years, such as the decisions adopted under the auspices of The International Monetary Fund or the stand-by facilities which the central banks were henceforth granting each other on a basis of reciprocity, bore witness to that process of change. It was gratifying that an international public debate on such a delicate subject should have brought the international community, despite the force of traditions, to contemplate innovatory solutions in that connexion. The problem of international liquidity was of importance to the international economy as a whole and the under-developed countries also had a stake in it. They themselves might find the absence of financial liquidity an obstacle to their enterprises, and restrictive policies inspired by international monetary difficulties might, by holding in check the expansion of the economies on which they were dependent, jeopardize economic assistance programmes.

10. The example of international liquidity seemed to bear witness to an acceleration in the development of

ideas and attitudes, a trend which was to be welcomed since it was bound to favour the progress of the United Nations Development Decade. It was true that the Development Decade had already been marked by important events, such as the conferences referred to above. However, it should also be the occasion for evolving methods for evaluating the "performance" of the international community in relation to the general objectives of economic development and to specific objectives set by the General Assembly and the Economic and Social Council. Once criteria and appraisal procedures had been worked out, the United Nations could take decisions based on a firmer foundation. The proclamation of targets would be meaningless unless a way was found to weave them effectively into the fabric of day-to-day international action.

11. Without going into the matter of international planning, the very mention of which some found alarming, there should be an effort, in international action, to make use, with all necessary prudence, of the disciplines which had proved their worth in the conduct of national affairs. The proposals made by The World Federation of United Nations Associations (WFUNA) for practical action bearing on the key sectors of food, health and education seemed to indicate that the international community was now favourably disposed towards such a step and those ideas would surely be considered by the competent specialized agencies. The task of the United Nations and of the Second Committee was outlined in the first chapter of part I of the *World Economic Survey, 1962* (E/3774), which presented future needs in the light of foreseeable trends. The projections in that chapter were, of course, subject to revision, but the method used seemed to be relevant. It was so conceived as to throw light on external deficits, a decisive element in the growth process of the under-developed countries, and it gave an idea of the magnitude of the gap which would have to be bridged by corrective action. By isolating the different strategic variables, including those of trade, aid and movements of capital, it was possible to follow their development and to adopt a coherent comprehensive policy with regard to them. Of great interest in that connexion were certain ideas which had been discussed recently in the Committee on a United Nations Capital Development Fund aiming at the establishment of some institutional mechanisms for keeping those problems under study.

12. Those proposals should not be disquieting if the effort to be undertaken was viewed in the perspective of the distant future, when the dimensions of the economy would have changed. That was the sense in which the figure of \$11,000 million, representing the over-all deficit forecast for 1970, should be considered. In reality, the objective of the Development Decade, namely to increase to 5 per cent in ten years a rate of growth which had recently attained 4.65 per cent, was modest. It had been set in the light of possibilities rather than of needs and the international community should do everything in its power to achieve it.

13. Those considerations became more pressing as the date of the United Nations Conference on Trade and Development approached. The Conference would be distinguished from earlier conferences in that it would examine problems and solutions in the light of the evolution of economic philosophy. It would seem difficult to attempt to modify the trends of world trade without giving a place, in the process of negotiations, to certain global objectives.

14. The Conference would not solve at one fell swoop the problems with which it would be dealing, and everything would depend on the machinery which it was able to set up to carry on that long-term task. The Committee's deliberations in preparing it, could, however, assure it of a minimum of immediate results. There were problems, including certain points relating to tropical products, in GATT's programme of action for the expansion of world trade, the solution of which could already be foreseen. The difficulties resulting from the preferential system set up for the benefit of eighteen African countries in association with the European Economic Community should not be too difficult to dispel, since that system was a transitional one, provided that the problem was not allowed to develop into a doctrinal conflict between the partisans of organization and those of liberalization, doctrines which were certainly reconcilable in practice.

15. Trade in the manufactured products of the under-developed countries, on the other hand, gave rise to delicate problems which were not all moving toward solution with an equal degree of success. Certain measures based on the principle of liberalization, such as the gradual reduction of tariffs on certain semi-manufactured products, would appear to be possible. Other ideas, such as the abandonment of the principle of strict reciprocity in tariff concessions in favour of the under-developed countries, had not yet reached the stage where they could be embodied in concrete proposals or else they were in conflict with the rules governing world trade at the present time, such as the most-favoured-nation clause, without which the door would be left open to arbitrary action. Rather than formulating entirely new rules, therefore, it would be desirable to broaden the area of tolerable deviations in the light of the objectives of economic development of the new countries, subjecting that area to internal disciplines, as was already the case for the utilization of agricultural surpluses.

16. In exploring that territory, it was essential not to lose sight of the nature of the measures which the under-developed countries would be forced to adopt if broad, multilateral solutions could not be found. In the process of industrialization in certain parts of the world, the so-called "substitution" policy had led to abuses. Yet it would seem difficult to avoid them until a scheme was devised for ensuring gradually increasing outlets for those manufactures which could be offered at competitive prices. One of the difficulties encountered in outlining a new system of international trade was caused by the need to cater for the requirements of countries having economies of distinct types. In particular, the semi-industrialized economies were bound to produce a surplus of capital goods seeking buyers on world markets but not at competitive prices. To an ever-increasing extent, those new industries were being protected by means of preferential sectors in which reciprocal deals could be concluded. Such solutions were natural between adjacent countries but they could yield greater gains if they were organized among a larger number of countries. They would no doubt introduce considerable complications in the pattern of international trade, but they would become more and more tempting if the great industrial centres did not give up their protective tariffs in good time so that the industrialization policy of the new countries could develop along rational lines.

17. The United Nations should not limit itself to the elaboration of rules; what it was really aiming at was

to stimulate internal changes which would facilitate a better international division of labour. However, it was as yet ill-prepared to do that. Very real progress, on the other hand, had been made in that direction by smaller groupings in the East and West. It would be desirable if both groupings co-operated on as broad a multilateral basis as possible and took heed from time to time of the preoccupations of the United Nations and the guiding lines of its action. Perhaps the forthcoming Conference would provide an opportunity for establishing such contacts.

18. But the United Nations itself had specific ways and means of exercising influence. It could continue to define the problems involved and to evaluate their magnitude, thus dispelling certain apprehensions concerning the risk of major economic dislocations. In that connexion, the quantitative data given in the World Economic Survey showed that the adjustments required in the industrial countries to accommodate new trading partners were much less extensive than those occurring currently as a result of technological progress.

19. Another consideration was that the desired transformations in the industrial countries could not be achieved without the adhesion of labour, which was directly affected by them. It was therefore desirable to establish links with the trade-union movements with a view to better mutual understanding, either by taking advantage of the consultative status enjoyed by the great trade-union associations or through the ILO, whose tripartite structure was particularly well suited to that purpose.

20. One of the highest functions of the United Nations was to serve as an instrument of peaceful change, and that applied equally to the sphere of international economic relations. The magnitude of that task had become even more evident since the Second Committee had decided to concern itself with the economic consequences of disarmament, a problem the timeliness of which had been still further confirmed by the signing of the Treaty banning nuclear weapon tests in the atmosphere, in outer space and underwater. A society without armaments would be fundamentally different from that which now existed and the machinery that would make such changes possible should be improved. In that way, a contribution might be made towards solving smaller and more immediate problems. Above all, however, there would be a clearer recognition that the inexorable law of change might lead mankind towards a better destiny and one more worthy of the aspirations it now cherished.

21. Mr. COSIO VILLEGAS (Mexico) said the reports of the Economic and Social Council (A/5503), of the second session of the Preparatory Committee of the United Nations Conference on Trade and Development (E/3799), of the Economic Commission for Latin America (E/3766/Rev.3) and of the Committee for Industrial Development (E/3781) indicated that governmental representatives and Secretariat officials had adopted a new philosophy. They were disappointed with the progress achieved and dramatically aware that the development objectives of the United Nations must be secured as rapidly as possible. His delegation was neither surprised nor unduly worried by the prevailing mood of disappointment. It could act as a spur to greater effort, particularly on the part of those countries which so far had not been pulling their weight.

22. Part I of the World Economic Survey, 1962 (E/3774) showed that in 1950 the under-developed

countries had accounted for about one third of total world trade, but by 1960 their share had shrunk to one fifth. The fall in the prices of their primary commodity exports had coincided with a rise in the value of the manufactured goods which they imported. Thus, their terms of trade had deteriorated by 9 per cent.

23. While the post-war boom in the United States and in Western Europe had provided a ray of hope, the fact remained that the higher personal incomes in those countries generated a demand not so much for foodstuffs as for manufactures and services. Nearly all the major industrialized countries had succeeded in increasing their own agricultural productivity with the result that their demand for the primary commodity exports of the developing countries had declined. The exports of the developing countries were also at the mercy of cyclical fluctuations in the industrialized countries and also of the spectacular proliferation of synthetic substitutes.

24. Another ray of hope was the possibility of increasing trade between the developing countries and the centrally planned economies, a matter on which the World Economic Survey was not quite as explicit as it might have been: it referred to the obstacles which impeded the growth of such trade, but the first impression was that those obstacles, numerous and ser-

ious as they were, would not be insuperable if there was determination to reach an understanding. Yet the Survey seemed to imply that the only immediate prospect of overcoming them lay in the prosperous market of the Western world.

25. The developing countries could also increase their export earnings by stepping up their foreign sales of processed and semi-processed goods. But the prospects were not too encouraging. They had geared their production of such goods to domestic markets; it would not be easy to adapt it to export requirements without considerable technical effort and capital investment. Moreover, the industrialized countries were most reluctant to import manufactured goods or even goods which had undergone the most elementary processing.

26. The pessimistic tone of the World Economic Survey seemed justified. Not only had the export income of the developing countries declined in recent years but also there seemed to be no real chance of its increasing. The only real and immediate hope lay in the concessions which the industrialized countries, of the East as well as of the West, were able and willing to make at the forthcoming United Nations Conference on Trade and Development.

The meeting rose at 4.40 p.m.