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Chairman: Mr. Ernest G. CHAUVET (Haiti).

AGENDA ITEM 24

Economic development of under-developed countries (A/2955) (continued):

- (a) **Question of the establishment of a Special United Nations Fund for Economic Development: report submitted in accordance with resolution 822 (IX) of 11 December 1954 (A/2906);**
- (b) **Question of the establishment of an International Finance Corporation: report of the Economic and Social Council (A/2943);**
- (c) **Programmes of technical assistance: report of the Economic and Social Council (A/2943)**

GENERAL DEBATE (continued)

1. Mr. de GAAY FORTMAN (Netherlands) said that his Government had for many years taken a lively interest in the economic development of the under-developed countries. It had provided substantial numbers of experts under various technical assistance schemes and had endeavoured to speed up the establishment of a Special United Nations Fund for Economic Development (SUNFED). The Queen of the Netherlands had voiced the feelings of her people in emphasizing the common duty of all nations to fight poverty and to further prosperity for every human being, the industrialized countries by providing technical and financial assistance and the under-developed countries by making the most of their natural resources.

2. No attention had so far been paid in the general discussion to the important part which trade unions could play in economic development. In the course of 50 years, Europe had witnessed fundamental changes in the trade union movement. The small trade unions of the late nineteenth century had developed into large organizations with substantial funds at their disposal.

In the various branches of industry there had come into being permanent machinery for collective bargaining, mostly voluntary but sometimes compulsory. The number of industries where collective bargaining had become a permanent institution was growing steadily. Relations between Governments and trade union movements were now frequent and covered many governmental activities; consultative bodies for social, economic, financial, educational and cultural activities were unthinkable without trade union representatives. In the International Labour Organization (ILO), representatives of the workers spoke on an equal footing with representatives of employers and Governments, and trade union leaders were often members of delegations to the General Assembly. It was understandable that the trade unions had acquired a feeling of self-confidence.

3. Two conclusions could be drawn from the foregoing. The first was the need to proceed towards further industrial democracy. As a corollary, the workers should be given co-responsibility, in social and economic matters at the national level, in the various branches of industry, and in the plants and factories. On the other hand, the trade unions, because of their predominant position in economic and social life, must realize their responsibility to take into account the well-being of the country as a whole. The new attitude the trade unions had to assume would require their leaders to exercise mental flexibility, skill and wisdom. Fortunately, the large majority of the trade unions in the Netherlands understood their duties as well as their rights.

4. The Governments of the under-developed countries should give close attention to the development of free and independent trade unions. Legislation and public administration should not impede the establishment of trade unions; on the contrary, the public authorities should offer their full support to trade unions which showed their willingness to share responsibility in the development of the national economy. He therefore recommended to the attention of the Governments concerned and of the ILO the possibility of rendering more technical assistance in the development of trade union movements. He was sure that Netherlands trade union leaders would be willing to make available their knowledge and experiences.

5. Although all delegations were agreed on the principles of the Expanded Programme of Technical Assistance and were gratified by its achievements, that did not mean that they were fully satisfied and that there was no need for continuous improvement of its planning and administration.

6. In the introduction to his latest annual report (A/2911), the Secretary-General had stated that the Programme continued to fall short of the great challenge it had been created to meet. In other words,

insufficient money was available and there was a lack of continuity. Present fund-raising prospects were somewhat less gloomy than in the past. So far as the lack of continuity was concerned, the General Assembly, the Technical Assistance Committee (TAC) and the Technical Assistance Board (TAB) should inquire carefully into the possibilities of changing the existing system of financing so that commitments could be undertaken by the participating organizations on a long-term basis. Some Governments had pledged contributions for a number of years; other Governments, including his own, had regularly increased their contributions. He hoped that the forthcoming Technical Assistance Conference would reveal that most, if not all, contributing countries realized the need for expansion and continuity.

7. In studying the Secretary-General's report to the Economic and Social Council on the United Nations Programme of Technical Assistance (E/2736), he had noted that less than \$3,500,000 had been spent in 1954 on economic development projects, about \$1,000,000 on social welfare projects and about \$900,000 on public administration projects. He wondered whether the relation between those amounts was fully justified by the requests of Governments. It could hardly be believed that the demand for assistance in social welfare and public administration was very limited and his delegation, accordingly, warmly supported the Council's recommendation in resolution 585G (XX) that a significant increase, within the present level of the United Nations budget, should be made in allocations for the programme of advisory social welfare services.

8. The Director-General of the Technical Assistance Administration (TAA) had mentioned the inadequacy of the funds available under the regular programme to meet requests for technical assistance in public administration, including public finance. Requests for assistance in public administration should be met to the greatest possible extent. He hoped that sufficient funds would be available for the purpose not only from the Technical Assistance Administration's allocation in the Expanded Programme but also from the regular United Nations budget.

9. With regard to commodity problems, his country was deeply concerned about the harmful effect of excessive fluctuations in the prices and volume of commodities in international trade. It therefore welcomed the efforts of international organizations to achieve stability without undue rigidity. His Government was particularly anxious that the alarming situation in the agricultural commodities market, where surpluses in a number of essential foodstuffs were still accumulating, should be corrected as soon as possible. It was particularly grateful for the Food and Agriculture Organization of the United Nations (FAO) study on the use of agricultural surpluses to finance economic development in under-developed countries¹.

10. As his delegation had stated in the Economic Committee (E/AC.6/SR.184) at the twentieth session of the Economic and Social Council, the Commission of International Commodity Trade and the GATT Working Party on Commodity Problems, established to consider what sort of machinery could be set up

for the framing of commodity agreements, did not necessarily overlap. Both bodies were justified and there was also room for highly specialized studies outside the framework of those bodies, for example on agricultural commodities.

11. Passing to the financing of economic development, he pointed out that there had been little change since the previous session. The same vast sums were required. Considerable efforts had been made by the peoples primarily concerned, yet the needs grew at an ever increasing pace and internal resources were still limited. The International Bank for Reconstruction and Development had again given evidence of its awareness of the problem and it was hoped that the International Finance Corporation would play its part. Nevertheless, no marked improvement in the general situation could be discerned.

12. His Government did not underestimate the value of direct investment and bilateral assistance. Only recently, the Governments of Surinam and the Netherlands had reached agreement on the participation of the Netherlands in the financing of the ten-year development plan for Surinam. But, multilateral financial assistance under the United Nations was the key to the main problem, namely, the acceleration of basic economic development in the least developed countries by assisting their Governments to carry out essential non-self-liquidating projects. The Special United Nations Fund for Economic Development would provide the best machinery for the purpose, but the scheme could not wait for the proceeds from savings on armaments. In any case, his Government did not accept the view that disarmament should be linked with economic development.

13. At its current session the General Assembly would have to consider Economic and Social Council resolution 583 (XX) which recommended that the General Assembly should invite the views of Governments on the establishment, operation and management of SUNFED and establish an *ad hoc* committee to analyse the comments of Governments and to submit an interim report to the Council. He trusted that the discussion in connexion with that resolution would bring the establishment of SUNFED appreciably closer and that the *ad hoc* committee, once established, would work speedily and effectively. In that connexion, he had been rather surprised at the South African representative's recent statement (349th meeting) that all the committees and commissions in the world would not bring about the establishment of SUNFED. If that meant that all efforts to create the Special Fund should be suspended, he was strongly opposed to that suggestion. The need for action was urgent. What was required was something of the courage of the pioneers, a determination to respond to the challenge of the times.

14. Mr. KATZ-SUCHY (Poland) said that the tenth anniversary of the United Nations and the present easing of tension provided an appropriate occasion for reviewing United Nations achievements in the field of economic development. There had been much misunderstanding of the role of the United Nations in the economic development of the under-developed countries. It was held in some quarters that the only remedy was to stimulate an unrestricted flow of foreign capital to the under-developed areas. Others believed that the problem could be solved without disturbing the present division of the world into primary-producing and in-

¹ Food and Agriculture Organization of the United Nations, *Uses of Agricultural Surpluses to Finance Economic Development in Under-Developed Countries, a Pilot Study in India*, Commodity Policy Studies No. 6, June 1955, Rome, Italy.

dustrialized countries and had sought to avoid the basic social, economic and political issues by dealing merely with technical questions.

15. The Polish delegation had never shared those views. It had always maintained that economic development was a problem for the under-developed countries themselves and required substantial changes in their internal structure and in their relationships with the industrialized countries.

16. Economic development was a complex long-term process requiring action in every sector of the economy. It required, first, a proper distribution of national income through the raising of wages, the development of social insurance, increased expenditure on education, health schemes and similar measures, to remove the disparities between the economic position of various groups of the population and to create an internal market capable of stimulating the expansion of industrial and agricultural production; secondly, a proper investment policy, which implied an adequate use of all material and human resources as well as control of capital movement to ensure that capital was used for productive purposes and in conformity with development needs; and thirdly, the expansion of foreign trade in order to increase the capacity of the under-developed countries to import the goods they required for economic progress.

17. Although the problem was primarily one the under-developed countries must solve for themselves, the United Nations could do much to help them. The United Nations could exert its influence to create proper means of financing economic development and by helping under-developed countries to achieve political independence, and could create favourable conditions for economic progress. The basic principle should never be forgotten, already stressed by the Swedish delegate (347th meeting) that in all programmes to promote economic development assistance to under-developed countries should be completely divorced from political considerations.

18. Despite the efforts made by the United Nations, the gap between the industrialized and the under-developed countries remained, and had even widened. The latest reports of the Economic Commission for Asia and the Far East (ECAFE) and of the Economic Commission for Latin America (ECLA) confirmed the fact that the economies of countries in both those regions had undergone no substantial change. There was still open and concealed unemployment, the rate of industrial investment was low, capital was mainly invested in export production, and fluctuating commodity prices had led to balance-of-payments difficulties.

19. It would, nevertheless, be wrong to conclude that the United Nations had failed in its task of helping the under-developed countries. The technical assistance programmes, for example, had done much to help the under-developed countries and would continue to enjoy Poland's support. The Economic Commission for Asia and the Far East and ECLA had also been active in the sphere of economic development, although the former had been handicapped by the absence of the People's Republic of China, without whose participation no full and fruitful co-operation in the Far East was possible. The Economic Commission for Latin America had concerned itself with planning and with industrialization, which was the foundation of economic development and the only means of correcting the

present lopsided economic structure of the under-developed countries. The Economic Commission for Europe (ECE) had also shown an understanding of the requirements of the under-developed countries, especially of their need to develop their trade relations. However, much remained to be done to ensure that trade relations between under-developed and industrialized countries were based on the principle of equal rights and mutual benefits.

20. With regard to the important problem of financing economic development, it should be remembered that a flow of foreign capital would not promote the economic growth of under-developed countries unless it was co-ordinated with national development plans and was in complete conformity with national interests. The provision of international capital was also important, but the International Bank for Reconstruction and Development had not so far properly fulfilled its functions in that respect. The desire of the under-developed countries for a new institution that would give them effective assistance was, therefore, justified. His delegation considered that SUNFED would serve a useful purpose.

21. The importance of economic development had been stressed at the Bandung Conference which had appealed to all countries and international organizations to make greater efforts to develop trade, technical assistance and the peaceful uses of atomic energy as a means of furthering economic progress. The International Conference on the Peaceful Uses of Atomic Energy had shown the necessity for giving proper attention to the needs of the under-developed countries in the field of atomic power. Poland firmly believed that a United Nations international atomic energy agency for the peaceful uses of atomic energy should be set up and properly co-ordinated with other United Nations organs.

22. The Polish delegation had stated that, although it supported technical assistance programmes and the idea of SUNFED, it did not feel that such measures were enough. The economic development of the under-developed countries could be accelerated only if economic co-operation was forthcoming from all the States concerned, especially in regard to trade between the under-developed and the industrialized countries. International action was required and the United Nations was becoming increasingly aware of the part it could play in developing world trade. For example, the recently created Commission on International Commodity Trade could do much to stabilize international commodity markets while the regional commissions were already doing important work in the same field.

23. Poland was particularly interested in the work of the regional commissions and had sent an observer to the Hong Kong meeting of the ECAFE Sub-Committee on Trade and to the recent session of ECLA at Bogotá. In ECE, Poland had supported the convening of meetings of trade experts to discuss interregional trade problems.

24. Besides such measures, it was vitally important to remove all artificial and discriminatory trade barriers. The under-developed countries wanted to sell their export commodities and to buy machinery and consumer goods. In that respect, there was still scope for more trade between the under-developed countries, on the one hand, and the Soviet Union, the People's Republic of China and the European peoples demo-

cracies, on the other. The economic survey of Latin America, 1954, which appeared in the annual report of ECLA (E/2756), showed the importance of such trade to Latin America. The peoples' democracies, including Poland, could become stable and permanent buyers of the primary commodities traditionally exported by the under-developed countries, and, in exchange, could supply machinery, industrial equipment, fuel and consumer goods. Poland was continuing to expand its economy and to develop broad trade relations with the under-developed countries on the basis of trade agreements. The increasing demand in Poland for consumer goods and raw materials had led it to increase its trade with countries in Latin America, Asia and the Far East and there was every prospect of further expansion in the future.

25. The United Nations should use the Charter to promote international economic co-operation and give full consideration to the needs of the under-developed countries. By so doing, it would make a substantial contribution to the strengthening of peace, the development of friendly relations among nations, and the promotion of economic and social progress everywhere.

26. Mr. ELEICHE (Egypt) said that in 1954 business activity had been at a high level, the dollar shortage had been somewhat alleviated, foreign currency reserves had increased and the imbalance in international trade had been reduced. The improvement had been most evident in the Western European countries whose exports and industrial production had increased and whose terms of trade had improved.

27. Unfortunately, most of the under-developed countries were still lagging behind the industrial countries. For example, Bolivia, Brazil, Chile and India had all experienced difficulties as a result of reduced exports, declining *per capita* income, population growth and the reduction of foreign currency reserves. Although some improvement had taken place in the second half of 1954, the problem of an unfavourable balance of payments was common to most of the ECAFE countries.

28. The under-developed countries were unable to raise the levels of living of their peoples because productivity was not keeping pace with population growth. Their development was hampered by many obstacles, the most important being the lack of financial resources. It was, for instance, pointed out in the ECAFE study entitled *Economic Survey of Asia and the Far East, 1951*², that, taking into account the increase in population, \$5,000 million would be needed to raise *per capita* income in the ECAFE countries by 2 per cent per annum. As their present net capital formation was less than \$2,000 million per annum, a gap of \$3,000 million remained to be filled. Similar calculations had been made by other groups of experts and their findings explained why the under-developed countries were so interested in the establishment of SUNFED and the International Finance Corporation (IFC).

29. The *World Economic Report, 1953-54* (E/2729), stated that there had been a halt in the process of deterioration in the economic situation of the under-developed countries rather than an improvement. In the circumstances, the under-developed countries naturally attached great importance to the stabilization of

the prices of foodstuffs and agricultural raw materials as they had no means of offsetting a sudden decline in their earnings from those sources. The steady rise in the prices of manufactured goods was another problem of concern and unless the two interrelated questions were solved through the guaranteeing of fair prices, the under-developed countries would remain at the mercy of the highly industrialized countries which were in a position to control commodity prices.

30. That need had also been emphasized at the Bandung Conference which had adopted a resolution calling for collective action to stabilize international prices of and demand for primary commodities through bilateral and multilateral agreements. Because of the urgency of the problem, the Egyptian delegation had urged that the Economic and Social Council should determine the terms of reference of the Commission on International Commodity Trade at its twentieth session.

31. The export trade of the under-developed countries had also been adversely affected by governmental and intergovernmental action and in many cases they had been left with large stocks of primary commodities. The study entitled *The Quest for Freer Trade* (E/2737) referred to an official statement in which the United States expressed its intention of offering its surplus products at competitive prices, but stated that it would not use its agricultural surpluses to disrupt world prices of agricultural commodities. Despite that assurance, rumours that the United States intended to subsidize its cotton exports had affected Egyptian cotton prices, with the result that the Egyptian foreign trade surplus £9,200,000 in the first half of 1954 had been turned into a deficit of £17,800,000 in the same period of 1955. However, a recent United States official statement might lead to removing the bad effects of the aforesaid rumours.

32. Egypt itself had been forced to face the intricate problems of economic development. Its Government had drawn up a bold and realistic policy with the two-fold aim of achieving equilibrium in its balance of payments and balancing the budget. Both goals had been achieved in 1954 at the cost of many privations and sacrifices. An anti-deflationary policy had increased gross national income and raised levels of living. Existing legislation had been amended and new legislation enacted to encourage foreign and domestic investments which in 1954 had increased almost 70 per cent over 1953.

33. As part of its new policy the Government had drawn up a general economic plan giving priority to key sectors and providing new industries with foreign exchange for the import of capital goods. The plan was designed to increase the value of agricultural products through processing, to encourage the development of facilities necessary for industrialization, to reduce dependence on imported goods which could be produced economically in Egypt, and to encourage the development of consumer goods industries.

34. Steps were still being taken to expand Egypt's hitherto inadequate fuel and power resources and exploration work was being carried out. For example, the refining capacity of the Government plant at Suez had been increased from 300,000 tons a year in 1954 to 1,300,000 tons a year in July 1955, and the hydro-electric power plant at Aswan on which work had been started in 1952 would produce 1,760 million kilowatt-

² United Nations Publication, Sales No.: 1955.II.F.3.

hours a year in 1957. In 1954, work had begun on Egypt's first iron and steel plant which in 1959 would produce 100,000 tons of iron and steel annually. Lastly, the proposed New High Dam, which would cost approximately \$500 million, would add 5,240 million kilowatt-hours to Egypt's supply of electricity.

35. In its efforts to eliminate unemployment the Government had undertaken vast public works projects which were an integral part of its general economic development programme. All the new work involved had been financed without recourse to inflationary methods and in fact paper currency in circulation had declined in the period 1952 to 1955.

36. In the field of international trade, Egypt was examining its customs duties with a view to liberalizing its trade. Under the many new trade and payments agreements which had recently been concluded with Eastern European countries and mainland China, Egypt would provide cotton in exchange for capital goods. It was a fact that Egypt depended more than most countries on stable world prices because any reduction in its export earnings resulted in a substantial decline in its national income.

37. Two important facts had to be borne in mind if the levels of living of the peoples of under-developed countries were to be raised. First, their economies were based on the production and export of foodstuffs and agricultural raw materials. However, their profits on international markets were too low in comparison to the profits made by industrialized countries from the sale of manufactured goods. That was mainly due to inelasticity in the supply of their products, and his delegation hoped that the Commission on International Commodity Trade would be able to remedy the situation.

38. Secondly, the population of the under-developed countries was increasing at a more rapid rate than that at which new land could be brought under cultivation. They had therefore undertaken industrialization programmes and enacted legislation to attract the necessary foreign and domestic investments. Unfortunately, the flow of foreign capital was still insufficient to meet their urgent needs and it was unlikely that the situation would change in the near future. It was for that reason that they were so insistent on the rapid establishment of SUNFED and the International Finance Corporation.

39. The under-developed countries had long suffered from poverty which lay at the root of their economic and social ills, and which could be eliminated only with the assistance of the highly industrialized countries.

40. Mr. FREEMAN (Liberia) said that his Government recognized the urgent need for contributing to the economic and political advancement of peoples working for and towards self-determination.

41. It was the task of all nations to rediscover the sources of their strength and integrity and he felt that only if such intrinsic national values were affirmed and used as guiding principles could the United Nations lay the foundations of the new society which would eventually be established.

42. His delegation whole-heartedly supported the establishment of the International Finance Corporation which would enable the United Nations to satisfy the growing needs of the under-developed countries and complete the reconstruction of countries which had suffered most during the Second World War.

The meeting rose at 12.40 p.m.