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Eighth Session

SUMMARY RECORD OF THE HUNDRED AND FIFTY-SIXTH MEETING

Held at Headquarters, New York,
on Friday, 26 July 1957, at 2.45 p.m.

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	Mr. DURAISWAMY	Ceylon
	Mr. Y.W. LIU) Mr. YANG)	China
	Mr. de CAMARET) Mr. WARNOD)	France
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	Mr. PACHACHI	Iraq
	Mr. IDENBURG) Mr. GRADER)	Netherlands
	Mr. VELANDO	Peru
	Mr. GIDDEN) Mr. SELWYN)	United Kingdom of Great Britain and Northern Ireland
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	Mr. ALFONZO-RAVARD	Venezuela
Representatives of specialized agencies:		
	Mr. PAYRO	International Labour Organisation
	Mr. ABERCROMBIE	Food and Agriculture Organization
	Mr. SALSAMENDI	United Nations Educational, Scientific and Cultural Organization
Secretariat:	Mr. COHEN	Under-Secretary for Trusteeship and Information from Non-Self-Governing Territories
	Mr. BENSON	Secretary of the Committee

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ECONOMIC CONDITIONS AND DEVELOPMENT IN NON-SELF-GOVERNING TERRITORIES:
(b) EXTERNAL TRADE (A/AC.35/L.244 and Corr.1)(continued)

Mr. PACHACHI (Iraq), emphasizing the importance of external trade in the economy of the Non-Self-Governing Territories, said that the world prices of primary commodities, which made up the bulk of the exports from those Territories, influenced in varying degrees every facet of their economy.

He noted that there had been a general increase in the volume of exports, although prices had fluctuated, the prices of primary commodities declining sharply in 1953 but rallying in 1954. The price of coffee had fallen sharply in 1955.

After briefly reviewing tables 1, 2 and 3 in the Secretariat's report on external trade (A/AC.35/L.244), he pointed out that in most Non-Self-Governing Territories, where invisible sources of revenue were practically non-existent, the balance of trade was made up primarily of exports and imports. The deterioration in the trade balances of most Non-Self-Governing Territories had continued in 1955 owing to the fluctuations in commodity export prices and increased imports, but Malaya and the Belgian Congo, which produced industrial raw materials in large quantities, had enjoyed favourable trade balances in 1955.

One of the most crucial aspects of external trade in the Non-Self-Governing Territories was the extent to which the balances of payments of the metropolitan countries were affected by the exploitation of the resources of their dependent territories. The best example of that was the Belgian Congo, a very rich country with an enormous area and 12 million inhabitants. Belgium had certainly contributed to the improvement of the general economic, social and educational conditions of the population, but despite the Congo's great wealth it still lagged behind many African countries in the social and educational spheres. The economy of the Congo was controlled by a large number of companies, partly owned and controlled by the Belgian Government. Exports from the Congo formed the cornerstone of Belgian prosperity. The "Union minière de Haut Katanga", in which the Belgian Government had a large interest, controlled a sizeable percentage of the world output of copper, zinc and cobalt, and had made a net profit of almost $70 million in 1956; yet over [illegible] per cent of the African population of the Congo earned less than 25 per cent of the national income. Similar conditions prevailed in other Non-Self-Governing Territories, especially in Malaya, whose

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(Mr. Pachachi, Iraq)

products were of great assistance to the sterling area. The Secretariat could perhaps supply the Committee with some information about the relaticnship between the export earnings of the dependent Territories and the balances of payments of the metropolitan countries.

Mr. WARNOD (France), illustrating the system of price stabilizati[illegible] of overseas products introduced in 1955, briefly reviewed the action taken in 1955 and 1956 to maintain the price of coffee produced in French Overseas Territories and to ensure its revalorization on the market. He pointed out that the sharp decline in the price of coffee produced in those Territories was naturally linked with developments on the world market.

The rapid increase in coffee production in the French Overseas Territories had exceeded consumption in the metropolitan country and with the sharpe decline in the prince of Santos coffee on the New York market there had been a correspondig decline in the price of Robusta coffee on the Havre market.

Coffee production in the French Overseas Territories had risen from 64,000 tons in 1938 to 166,000 tons in 1955 and 210,000 tons in 1956. Coffee consumption in Francd had increased very slowly, and although it had reached 179,000 tons in 1955 it had not yet attained its 1938 level of 186,000 tons. Other territories of the franc area, in particular North Africa, consumed about 30,000 tons of coffee annually. The amount of foreign-produced coffee consumed in France in 1955 had been only 33 per cent of the total coffee consumption of that country.

In order to re-establish the balance between supply and demand in the franc area the flow of French coffee to foreign markets had had to be increased and foreign competition restricted.

Among the measures taken to encourage exports mention should be made of the reimbursement of social and fiscal charges and increases in the percentage of the "Exportation frais accessoire" (EFAC) accounts, at least in the dollar area.

Customs duties were re-established at the full rate of 20 per cent and imports of low quality,low-priced Arabica coffee, which might have competed with Robusta coffee from French Overseas Territories, were suspended.

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(Mr. Warnod, France)

Along with those economic moves to restore the balance between supply and demand of Robusta coffee from the Overseas Territories on the home market it had become necessary to set in motion the stabilization funds established by the decree of 30 September 1955 as price regulators. The purpose of those operations had been to spread exports of coffee equally over the whole calendar year. The orders of 16 December 1955 were a consequence of that action and drew a clear distinction between stockpiling operations and the granting of price supports when prices fell below the guaranteed minimum.

The Ivory Coast coffee price stabilization fund benefited from the credit balance remaining from the former Coffee Account and received rebates equivalent to one-third of the export duties paid. The sums at the disposal of the fund were not, however, sufficient to enable it to subsidize prices and it had therefore applied to the Fonds National de regularisation des cours des produits d'Outre Mer, which had advanced it 1,000 million francs.

After briefly summarizing the action taken by the Caisse de Stabilisation managed by representatives both of general interests and of traders and producers, he pointed out that the Institut d'Emission d'Afrique occidentale française had opened a credit for 3,250 million French francs CFA in favour of the Ivory Coast coffee price stabilization fund. It had also opened a credit of 500 million francs CFA for agricultural credit for the Ivory Coast, to enable Provident Societies to intervene should the prices offered to producers be lower than the schedule of prices laid down by the Comité de Cotation.

The management board of the stabilization fund had decided to continue stockpiling until the end of the season and the fund had agreed to buy at the guaranteed price of 96 francs 40 centimes all coffee not finding a buyer on the Abidjan market at that price.

While respecting the various orders in force, the stabilization fund had thus been compelled by circumstances to disregard the system of intervention defined in the Orders of 16 December 1955, and by its action it linked stockpiling operations with the measures taken to support prices directly.

The operations carried out to stabilize prices had led to the complete revalorization of Robusta coffee produced in the Overseas Territories, for the other territories of the French Union had also benefited from the stabilization fund's stockpiling policy on the Ivory Coast. The fund's action was not, however,

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(Mr. Warnod, France)

limited to the revalorization of coffee on the market. It was thanks to its initiative that measures had been taken to raise the standard of coffee leaving the Overseas Territories, with the result that larger quantities of coffee were exported to foreign markets, especially to the American market.

The essential purpose of the various stabilization funds was to guarantee fair prices to producers and the methods they adopted varied according to local economic conditions. While coffee prices had been maintained thanks to stockpiling operations, similar action could not be taken in the case of cocoa, which was difficult to stockpile. The Ivory Coast cocoa price stabilization fund had had to grant price subsidies to cover the difference between the world market price and the guaranteed minimum price.

The price at which a stabilization fund could intervene and grant a subsidy was fixed in France by an inter-ministerial Order. An economic co-ordination commission had now been set up consisting of the Ministers in charge of the economic affairs of each of the Overseas Territories, whose task it would be to examine problems connected with trade exchanges and to lay down conditions ensuring the harmonious development of the Overseas Territories, bearing in mind the interests of those Territories and the needs of the franc area. Price fixing in order to safeguard the leading overseas products and the co-ordination of price stabilization policies were naturally among the problems submitted to the Commission.

Lastly, he pointed out that the action taken by the Ivory Coast coffee price stabilization fund had maintained the purchasing power of the African producer by raising the price of coffee on the metropolitan market by about 20 per cent. Whatever the circumstances, the producer would henceforth be safeguarded if there was a sharp decline in world market prices.

Mr. RAVARD (Venezuela), referring to the statement in the Secretariat report (A/AC.35/L.244) concerning the decline in the percentage of imports from and exports to the metropolitan countries, said that he felt that such a decline showed that the Non-Self-Governing Territories were playing a greater part in world economy. In the case of certain other Territories, however, the total value of imports from and exports to the metropolitan countries still appeared to be very high. Table 15 of the Secretariat report showed, for instance, that the

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(Mr. Ravard, Venezuela)

percentage of the total value of exports from Territories under French administration to France had been 60.4 in 1955, while table 29 showed that 62 per cent of the imports of all French Overseas Territories came from the metropolitan country.

In the case of imports the most important problem was the price level. The fact that the majority of the goods imported into the Territories came from the Administering Members would not be so important from the point of view of the indigenous inhabitants if it was the result of the free play of economic forces and if the prices paid in the metropolitan area were of a competitive nature similar to those in other markets. He noted, however, from paragraph 6 of the Secretariat report that "the main problem of the Territories under French administration remained the fact that most of their export and import trade was transacted at prices non-competitive on the world market". He felt that the criterion approved by the Committee in 1954, namely that the trade policy of the Non-Self-Governing Territories should be based on world prices in order that they might reap the benefits of international competition, should be reaffirmed.

He went on to speak of the difficulties experienced by the Non-Self-Governing Territories when terms of trade were unfavourable. The need for stable markets and fair prices for export products was shared alike by those Territories and most of the less developed Territories. Although it was not easy to find a solution, every effort should be made by all concerned, including the Commission on International Commodity Trade, to do so. The Committee should ask the Administering Members to co-operate more closely in those efforts, which would benefit not only the Non-Self-Governing Territories but world economy as a whole.

Mr. ARAGON (Guatemala) said that the very delicate question of commodity trade was one of the major problems encountered in studying the external trade of the dependent Territories. There were, however, other problems which were no less important, such as terms of trade, foreign balances of payments and related questions.

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Earlier reports of the Committee had dealt with those problems and the report of the Special Committee on Information transmitted under Article 73 e of the Charter (A/1836), submitted to the sixth session of the General Assembly, in 1951, had mentioned the unfortunate situation of colonial economies, which was directly related to the fluctuating prices of mineral and agricultural exports. The same report had also referred to the extreme weakness of the external trade of the Non-Self-Governing Territories and its disastrous effect on their economic progress and the level of living of their people.

The report of the Committee on Information from Non-Self-Governing Territories (A/2729), submitted to the General Assembly's ninth session, in 1954, drew attention to the serious consequences of a single-export policy and the grave consequences of price fluctuations. The same report also referred to the measures taken to stabilize prices in the Territories by the stockpiling of products. While such action might not overcome the instability sufficiently to bring about an appreciable improvement in the living conditions of the inhabitants it helped the producer.

After briefly reviewing the external trade of the Non-Self-Governing Territories during the period 1953 to 1955, he pointed out that progress in the volume of both exports and imports of almost all those Territories had been the most significant trend during that period and had been reflected by a parallel but somewhat slower increase in value. The balance of trade had improved in certain United Kingdom territories and in the Belgian Congo but had declined in the Territories under French administration. The decline in the purchasing power caused by unfavourable terms of trade should receive the urgent attention of the Administering Members concerned, for nothing was more discouraging for the indigenous inhabitants than to find that the more they produced the lower their purchasing power became. Efforts to raise the standard of living of the indigenous inhabitants were of no avail if that unfortunate trend continued.

He noted that the prices of certain raw materials were still subject to violent fluctuations and that there was a widespread deficit in the trade balance of certain Non-Self-Governing Territories, among them the French-administered Territories, Papua, the islands under New Zealand administration, Hawaii and

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(Mr. Aragon, Guatemala)

the Virgin Islands. There was little information before the Committee on the question of loans, subsidies and the movement of private capital investments, but the Secretariat report on the progress of development plans (A/AC.35/L.242), which gave some data on the contributions of the metropolitan countries to those programmes, partly explained how import surpluses had been financed.

Although the foreign trade of certain Non-Self-Governing Territories had been expanded, the structural weakness of that trade continued to be a most serious problem, against which the indigenous peoples concerned had no protection save the Administering Members' responsibility for their welfare.

He suggested that reserves should be set up by the Non-Self-Governing Territories in periods of high prices in order to alleviate the consequences of a period of declining prices by an appropriate stabilization policy.

He had listened with great pleasure to the statement of the United Kingdom expert concerning freedom of trade in the Territories administered by the United Kingdom but he wondered whether the dependent Territories were not hampered in the handling of their exports by certain special banking relations which existed between them and the metropolitan countries. He therefore suggested that separate monetary systems should be set up in the Non-Self-Governing Territories.

Referring to the distribution of income derived from the external trade of the dependent Territories, he thought that the creation of co-operative societies would ensure that the indigenous inhabitants had a greater share of profits.

Mr. RYAN (Australia) questioned a point made by the representative of Iraq. He felt it an unwise generalization to suggest that in many cases the investments made by the Administering Powers in their dependent territories had been outweighed by profits from exports. In Papua, for instance, that had not been the case, since the total value of exports for the year ending 30 June 1956 had been £3,364,000, whereas the Commonwealth grant for investment, which went to make up the Territory's deficit, had amounted to £3,532,000 for the same year. Thus in 1955-1956 the grant made to Papua by Australia had exceeded export earnings.

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Mr. JAIPAL (India) drew attention to the direct relationship between the move for national independence and the desire for economic development of Non-Self-Governing Territories. It was important to bear in mind the strong political flavour of economic development for two reasons: firstly, different political ideologies postulated different methods of economic advancement and the relative merits of those ideologies would be assessed by the dependent peoples according to the economic results they achieved, and secondly, since there was no exact historical precedent for the economic development of the dependent territories, caution should be exercised in applying indiscriminately classical economic theories to their development.

Formerly, the private entrepreneur had played the main role in developing the economy of the advanced countries, with government intervention limited to supporting industry by means of loans and certain safeguards. The old formula of high profits, low wages and large savings was no longer applicable. The disparity in conditions between the advanced and the under-developed territories had now to be rectified, largely by voluntary sacrifices on the part of the advanced countries in the form of capital aid.

Rapid capital accumulation was needed in order to keep pace with the rising levels of consumption, which could no longer be kept down in order to increase productivity as in former times. Thus economic policy should be basically revised to take into account the interests of the inhabitants of the Non-Self-Governing Territories, which according to the Charter were paramount.

The striking feature of the economies of the Non-Self-Governing Territories was that they were unbalanced. Indeed, the adverse trade balances of a number of territories, in particular such trouble-spots as Kenya, Cyprus and French West Africa and French Equatorial Africa, gave cause for concern. Prices of primary products had declined and they constituted the bulk of the exports. Changes in the direction and pattern of trade were insignificant. Imports had increased but capital goods formed only a small proportion of the imports.

Most Non-Self-Governing Territories had a very high foreign trade ratio in relation to their national incomes; moreover, the trade pattern indicated an international division of labour between the producers of primary goods and the manufacturers of finished products. While there were only a few manufacturing industries producing for the needs of the domestic market, a large number of

(Mr. Jaipal, India)

concerns were engaged in producing primary goods for export. Wages were still low. Many territories were highly dependent on imports even for such basic needs as food, and their earnings were often insufficient to enable them to import the capital goods necessary for their economic development. Dependence on earnings from one or two primary products had tended to increase the fluctuations of total export earnings. Moreover, instability in the prices of capital goods had led to a fluctuation in imports, to the detriment of domestic needs. Furthermore, the prices of primary exports and of capital goods did not move in a synchronized fashion.

All those factors affected the flow of capital to the Non-Self-Governing Territories and the vicious circle could only be broken by some organized international system of channelling capital aid or by stabilizing the flow of capital on the basis of governmental bilateral arrangements.

He thanked the Secretariat for its paper on the Treaty establishing the European Economic Community (A/AC.35/L.254) in which the Articles relating to the Association of Overseas Territories with the European Common Market were reproduced, although he thought it would have been useful if a comprehensive background paper could have been prepared. He would reserve his final views until more information became available but for the present he stressed the importance of the new development and the need to assess its implications later on in relation to the paramountcy of the interests of the inhabitants of the Non-Self-Governing Territories. It appeared that a new relationship might be established which would extend to the European Economic Community the concessions now reserved to one Power, and which would in consequence give all a free run in the colonial markets. Although it was not clear what its effects would be on the terms of trade of the Non-Self-Governing Territories, it might well operate to the detriment of their long-term development. He also feared that the investment Fund provided for would prove inadequate to their needs and pointed out that the people of the Territories would have little voice in the formulation of investment policies. While its political effects were at present imponderable, he felt that the Committee or some other machinery should keep the matter periodically under review, in the light of the principles enunciated in Chapter XI of the Charter.

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Mr. YANG (China) recalled that when in 1951 the Committee had given its attention to economic conditions and the problems of development of the Non-Self-Governing Territories, it had pointed out that since the economies of those Territories were mainly oriented to the production of primary commodities their terms of trade were likely to be adversely affected by fluctuations between the prices of their exports and the goods they imported. It had accordingly taken note of two Economic and Social Council resolutions recommending that measures should be taken to regulate prices in order to neutralize inflationary pressures. At the same time the Committee had emphasized that the administering Powers, as the main customers for the Territories' products and the main suppliers of their needs, should be powerful agents in stimulating economic progress.

Three years later the Committee had given particular attention to the question of external trade and in its report had expressed concern over trade policies with regard to both exports and imports of Non-Self-Governing Territories. It had considered that, with regard to exports, it should be for the Territories to judge whether the drawbacks resulting from a preference given on the markets of the administering Powers to certain primary commodities were adequately offset by the advantages of a stable metropolitan market and the financial assistance given during periods of falling prices. With regard to imports, it had held that the policy for the Territories should be based on world prices in order to benefit from international competition.

It was with those views in mind that his delegation had studied the Secretariat's admirable report on external trade. He also appreciated the additional information furnished by the Administering Members on the Committee. It was gratifying to hear of the improvements in external trade in the Territories under British and French administration and he had been particularly pleased to hear that in the United Kingdom Territories the external trade policy was dictated by the interests of the Territories themselves and not of the metropolitan country - a policy which fully accorded with Chapter XI of the Charter.

The most significant trend in the period under review was progress in the volume of both exports and imports of nearly all the Non-Self-Governing Territories, accompanied by a parallel, if somewhat slower, increase in value. The fact that primary commodities were the main export items of most of the Territories meant that their external trade was adversely influenced by fluctuations in demand and prices on the international market. Thanks, however, to an expansion in

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(Mr. Yang, China)

output and the intervention of stabilization funds, the income of many Territories, especially those of tropical Africa, had not been affected. The fact that stabilization funds had been instituted recently in the French-administered Territories was to be appreciated.

Although the most notable fluctuations during the period had been for rubber, cocoa and coffee, the record production of coffee in the Ivory Coast in 1956 and the recovery in rubber prices in 1955, with a resulting increase in the export earnings of the Federation of Malaya, gave cause for satisfaction.

His delegation would like a study to be carried out to determine the extent to which the indigenous populations of the Non-Self-Governing Territories had actually participated in the handling of their external trade and in the decision on the categories of commodities to be produced and exported, or to be imported, bearing in mind the overall needs of a dependent territory progressing towards self-government. It would also like to know to what extent the Non-Self-Governing Territories and their inhabitants had actually benefited from such external trade as now existed in those Territories.

Although such an inquiry could not be carried out at the present session, he hoped it would be possible in 1958, when the Committee would be called upon to make a comprehensive study of developments in all fields. In the meantime, however, he would like some clarification from the Administering Members on two points: the first point was that, as was indicated in the Economic Development in Africa 1955-1956, chapter 2 paragraph 5, (Supplement to World Economic Survey, 1956) the export earnings of the dependent Territories in Central Africa accrued almost entirely to non-indigenous enterprises and were not reflected in increased per capita income. The second was in connexion with paragraph 6 of the Secretariat report on External Trade (A/AC.35/L.244), which stated that most of the export and import trade of the Territories under French administration was transacted at prices non-competitive on the world market. Such clarification might help the Committee to determine the extent to which a situation such as that which now existed in those Territories was conducive to the building up of a sound economy and to the betterment of the economic life of the indigenous population.

He had purposely omitted any mention of the European Common Market, since it would not be in full operation before 1958. He hoped, however, that it

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(Mr. Yang, China)

would benefit the dependent territories associated with it to the same extent as the Colombo Plan had benefited the Non-Self-Governing Territories of South and South East Asia.

(c) DEVELOPMENT OF MANUFACTURING INDUSTRIES (A/AC.35/L.241)

Mr. SELWYN (United Kingdom) pointed out that there was no absolute correlation between the prosperity of a country and the degree to which it was industrialized. Although per capita output in an industrialized country was usually higher than in a strictly agricultural country, it was perfectly possible for a country which was mainly agricultural to achieve a high degree of prosperity. Much depended on the application of advanced agricultural methods and on the existence of favourable markets for agricultural products. He rejected the allegation that the primary-commodity producing countries were being exploited by the industrialized countries which used their raw materials for manufacture. The United Kingdom was certainly not attempting to restrict the role of its dependent territories to that of raw material producers and markets for United Kingdom manufactured goods. It was an integral part of its economic policy, on the contrary, to encourage the growth of manufacturing industries in those territories through direct participation and financial aid, tax relief to private investors and technical assistance and services. In its view, industrial development was not an end in itself: it was part of a comprehensive policy designed to increase the national output of the territories and raise their level of living. The measures the United Kingdom adopted to achieve that goal varied from territory to territory, depending on the resources locally available and the type of economy. Experience had shown that there was a better case for industrialization in territories where the land and national resources were already fully developed than in certain African territories where modern improved agricultural methods could achieve a substantial increase in output and a reasonable investment in such improvements might yield handsome dividends.

The type of industries which Governments should seek to promote depended on local circumstances, but three types of industry generally had favourable prospects: import replacement industries, such as the manufacture of cement and textiles in Jamaica and the production of beer, soap and glassware in Kenya; initial processing of foodstuffs and raw materials previously exported in crude form, such as fruit and fruit juice canning in Jamaica and flour milling and the manufacture of

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(Mr. Selwyn, United Kingdom)

insecticides in Kenya; and finally, servicing and repair industries such as small engineering works.

The decision whether to encourage small-scale industries or heavy industry depended on the stage of advancement of the territory concerned. Clearly, no United Kingdom dependent territory was in a position to set up a steel mill; in general, they lacked adequate manpower and local fuel supplies for such a venture. Only Northern Rhodesia, with its manufacture of electrolytic copper, Hong Kong with its shipbuilding and repair industry, and the territories which had cement plants could boast that they had heavy industry. As the representative of Ceylon had pointed out, it was often more sensible to encourage small-scale industries linked with the industrial tradition of the territories. There was no inherent merit in large-scale industry as such. A committee recently established by the Government of the Federation of Malaya had found, for example, that with Government advice and assistance it would be feasible to revive, expand and modernize the territory's traditional handicraft industries.

The rate of growth of manufacturing industries had varied from territory to territory. Hong Kong had shown the most marked advance in that respect, with a huge expansion of its shipbuilding industry in the past fifteen years and a wide range of export industries. The greater part of its industry was managed and owned by local or immigrant Chinese. In Jamaica, Trinidad and Kenya, there had been a fair development of manufacturing industries, while in Nigeria industrial production still accounted for only about 2 per cent of the national income. Despite considerable expansion in cement manufacture and electricity output in many territories and various other industries in Jamaica,Hong Kong, Kenya, Nigeria and Uganda, industrial production in most of the United Kingdom territories was still of minor importance. Shortages of skill, lack of basic facilities and the narrow basis of local markets impeded industrial expansion, but the Governments concerned were endeavouring to remove those obstacles by improving communications and power and water supplies, extending technical education and taking steps to increase incomes in the territories as a whole.

Government measures for encouraging industry took the form, in United Kingdom territories, of tax relief or remission of import duties on raw materials or industrial equipment; protection against competition by import tariffs or

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(Mr. Selwyn, United Kingdom)

industrial licensing; and direct participation by the Government in financing and operating industries. The Government also provided information and technical assistance to industrialists and exercised control of the quality of export products. While the effects of direct financial assistance to industry were soon obvious, those of tax concessions were more difficult to estimate. Such concessions, in the form of "pioneer industry" laws or of general provisions in income-tax law, could involve considerable sacrifices of revenue and it would be interesting to have the views of the committee concerning their effectiveness. With respect to the United Kingdom territories, the experts were divided on the question whether it was better to offer investors a tax holiday over a period of years or accelerated depreciation allowances, whether it was wiser to give generous concessions to new firms or to certain specified firms than to give less generous concessions for any industrial expansion, and whether tax concessions, generally speaking, were an effective incentive.

Although the attractiveness of tax holidays might be more obvious than that of accelerated depreciation allowances, their costs and benefits were more uncertain. Moreover, they led to a form of competition among countries wishing to attract new industries, whereby each country tended to prolong the tax holiday so as to attract industries from each other. There was also a distinct disadvantage in offering tax concessions only to new or "pioneer" industries: not only did it oblige the Government to choose between the merits of one firm and another, but from the point of view of aiding the economy it might be as important to encourage an existing firm to expand as to attract a new one. A mission of United Kingdom industrialists which had visited Jamaica, Trinidad, Barbados and British Guiana in 1952 had opposed selective concessions and the International Bank Mission to Malaya shared that view. They advocated more general concessions, such as the rapid writing off of the value of equipment, to be written into the general tax law. Mauritius was the only United Kingdom Territory in which a general 10 per cent investment allowance on capital expenditure to be applied in addition to the normal initial allowance had been introduced. On the whole, there was much to be said for the argument that too much importance should not be attached to income-tax exemptions; rather should efforts be concentrated on stimulating industry by other methods, such as improvements in public services and subsidies.

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(Mr. Selwyn, United Kingdom)

With regard to the cricicism that tax concessions in the United Kingdom territories could be frustrated by the operation of the United Kingdom tax law, he pointed out that a Royal Commission had recently recommended a way of counteracting that difficulty. United Kingdom investment abroad would be encouraged by the creation of Overseas Trading Corporations which should be resident in the United Kingdom but engaged in trade outside the United Kingdom and subject to taxation to the country where they operated, or which would be so subject if the recipient country did not offer tax relief. Those corporations would be exempt from United Kingdom Company tax, although their distributions of dividends would be taxable. That recommendation had been accepted and was being implemented.

While industrial development had an important place in United Kingdom territories, each territory had to decide the price it was willing to pay for it, and that would be determined by its needs for secondary industries and the possibliities of development in other directions. The objective should be the utilization of the territory's resources to ensure the best overall rate of economic growth.

Mr. GRADER (Netherlands) said that industrial activity in the Netherlands New Guinea, like all development in the Territory, was still at a very early stage. That was not surprising in a counry which was not rich in raw materials and where indigenous handicrafts were primitive, lacking in variety, and strictly for home consumption.

In the sector of private enterprise, oil was by far the most important industry. Other private enterprises consisted of medium-sized businesses of local importance only. In addition, the Government operated workshops, power stations and other utilities. Since the oil industry was an extracting industry and the mechanized rice farm in the South of the territory, the only large-scale agricultural development, must be classified as an agrarian industry, the only manufacturing industries in Netherlands New Guinea were the shipbuilding and ship-repairing industry and the logging industry, both at Manokwari.

On the other hand, the oil industry, although of no great significance as an international enterprise, made substantial contributions to the territory's economy. While it was true that almost all the oil produced was exported and that the oil company's activities were confined to the few urban centres, its /...

(Mr. Grader, Netherlands)

contributions to the public revenue in the form of grants and duties amounted to about 2 million guilders a year. In addition, it enriched the territory's treasury by import duties and the taxes it paid on wages and salaries. Moreover, it employed about 3,500 Papuan workers, who thus came into contact with the operation of Western economic methods, developed new needs and learned the elements of proper hygiene, more rational diet and better housing. Finally, the oil company provided training schools where the Papuans could develop industrial skills.

New industrial activity in New Guinea was still in an experimental stage. A logging industry had been established on the basis of the Territory's vast timber resources, which had been surveyed by aerial photography so that the industry might be situated where prospects of production were most favourable and marketing facilities were at hand. The operation of the logging plant would be placed under the supervision of the Foundation for Agricultural Enterprises, as had been done with the machanical rice farm in the South. The logging plant was expected to be in full operation by the beginning of 1958. The greater part of production consisted of the processing of construction materials but there were future prospects for a plywood and wood-fibre industry. The number of Papuans engaged in the operations of the plant was increasing, on-the-job training was being provided and it was planned to establish associated plants. The greater part of the output was to be sold on the local market but efforts would be made to develop production for export.

Owing to the long coastline, transport by sea and along the large rivers was one of the most important means of communication in the Territory and entailed the need for a comparatively large number of ships. Some facilities for dry-docking and repair already existed but the Territory depended on foreign countries for the docking of larger ships. Accordingly, a large shipyard had been constructed at Manokwari and had begun operation in May 1957. It provided on-the-job training for unskilled labour and further training for Papuans with some technical education.

The presence of the logging industry and the shipyard at Manokwari provided favourable conditions for the further development of private initiative. Plans were under way for the establishment of a canning factory for vegetables and fruits and a plant for making fishmeal, and an oxygen factory had already been set up.

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(Mr. Grader, Netherlands)

The importance of the mechanized rice farm in the South should not be underestimated: its production was expected to make the Territory independent of rice imports. A large reservoir had been built to ensure adequate irrigation and experiments were proceeding on cattle-breeding as part of a mixed farming scheme, rotation of crops, use of specific fertilizers and the elimination of plant diseases. It was not yet possible to judge whether the rice farm and its related projects would prove economically profitable. It would have to be studied in relation to the national income and the balance of payments situation. Nor was it possible to foresee how the Papuans would react to the new type of agriculture or how it would affect the primitive structure of indigenous farming.

Another experiment undertaken by private enterprise was the exploitation of the Territory's extensive sago groves. Sago was an important constituent of the indigenous diet. An experimental plant had been established to test methods worked out in the Netherlands for mechanizing sago harvesting and processing the sago into flour. The plant, with an annual capacity of 25,000 tons, would cost the Netherlands an investment of 6 million guilders.

Finally, further research was planned in mining, further industrial development and the production of hydroelectric power.

The meeting rose at 5.55 p.m.