



CONTENTS

	<i>Page</i>
Agenda item 3:	
Report of the International Monetary Fund (<i>concluded</i>)	31
Agenda item 5:	
Economic development of under-developed countries (<i>continued</i>):	
(a) Industrialization;	
(b) Land reform;	
(c) Sources of energy	34

President: Mr. Daniel COSÍO VILLEGAS (Mexico).

Present:

Representatives of the following States: Afghanistan, Bulgaria, Chile, China, Costa Rica, Finland, France, Mexico, Netherlands, New Zealand, Pakistan, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Belgium, Brazil, Colombia, Czechoslovakia, India, Italy, Japan, Philippines, Yugoslavia.

The observer for the following non-member State: Federal Republic of Germany.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 3

**Report of the International Monetary Fund
(E/3197, E/3197/Add.1 and Corr.1) (*concluded*)**

1. Mr. MICHALOWSKI (Poland) noted that, according to the report of the International Monetary Fund,¹ the

¹ International Monetary Fund, *Annual Report of the Executive Directors for the fiscal year ended April 30, 1958* (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3197); and "Summary of activities from May 1, 1958, to December 31, 1958" and *Enlargement of Fund resources through increases in quotas: A report by the Executive Directors to the Board of Governors* (Washington, D.C.), transmitted to the Council by a note of the Secretary-General (E/3197/Add.1 and Corr.1).

two years 1956 and 1957, during which drawings by members of the Fund had greatly exceeded repayments, had been succeeded by a year of relatively normal activity directed either to the temporary relief of balance-of-payments difficulties of countries dependent on a single major export crop or to temporary support of the balance-of-payments situation of countries which had liberalized their imports. It should be noted, however, that there had been a fairly large drawing in 1958 by a member which had recently established limited convertibility of its currency. Moreover, the report indicated that the payments situation of the non-socialist world continued to be a difficult one. Yet under its Articles of Agreement (article I, para. (V)) the Fund was authorized only to correct maladjustments in normal international financial relations; in reality, it had no power to initiate action to remedy the basic anomalies in those relations.

2. The international payments situation was basically distorted, particularly where the relationship between the small group of highly developed countries and the large number of less developed countries was concerned. The distortion was evident from the fact that some sixteen or seventeen highly developed countries, accounting for more than 71 per cent of the global national product of the non-socialist world, enjoyed a permanently active balance of payments on current account with the rest of the world. The movement of reserves of gold and hard currency had shown a permanent increase in industrial countries, to the detriment of the less developed ones. It was significant that, while in 1954 the industrial countries had held less than 52 per cent of the total official reserves of the non-socialist world, in 1957 they had held about 56.5 per cent of them, notwithstanding all the foreign assistance extended to under-developed areas in the intervening period.

3. The distorted situation in balance of payments reflected a split in the world economy which obviously could not be repaired by financial measures alone. As the Commission on International Commodity Trade stated in its report to the Council's twenty-eighth session,² there was a direct relationship between the primary commodity situation and such matters as technological progress, the development of agricultural production in highly industrialized countries behind barriers of agricultural protectionism, and international trade, in particular as it affected the relationship between countries with different economic systems. The Fund was in no position to act in relation to those fundamental issues; it was geared only to an international payment mechanism functioning normally, whereas the basic pay-

² *Official Records of the Economic and Social Council, Twenty-eighth Session, Supplement No. 6.*

ments situation was an abnormal one. In future reports, the Fund should indicate a clearer understanding of the complexities of that abnormal situation. It should also recognize that the level of export earnings of the less developed countries depended largely on the level of demand in the highly developed countries. It should give more attention to the changing pattern of international trade and, in particular, to the growing role of the socialist countries as partners in that trade. In the period 1954-1957 imports of socialist countries from the non-socialist world had increased by 44 per cent, thus exceeding the average increase in world imports.

4. In dealing with the general balance-of-payments situation, the Fund should take due account of the new and growing forces which help to alleviate current difficulties in the world's payments. The removal of those difficulties required international co-operation among as many countries as possible, regardless of the different techniques they might adopt in minor matters. On the basic objectives of the Fund there should be full agreement among all countries, whether or not they were members of the Fund.

5. Mr. ABELIN (France) expressed deep appreciation of the annual report of the Fund and of the enlightening statement of the Fund's Managing Director (1052nd meeting).

6. Since the end of 1957 the disequilibrium in the world's balance-of-payments situation had been largely corrected. Drawings on the Fund's resources had dropped from \$977 million in 1957 to \$338 million in 1958 and repayments in 1958 had exceeded the amounts withdrawn, leaving the Fund with a credit of about \$30 million. Moreover, certain countries with unused balances on which they were free to draw had decided not to use the facilities offered them by the Fund. There had also been a reduction of more than \$2,000 million in 1958 in the gold reserves of the United States, to the advantage of those countries which had been forced in 1956 and 1957 to use their monetary reserves to cover deficits. Consequently, the Fund's intervention in connexion with balance-of-payments deficits was less vital at present than it had been two years ago. Indeed, when the economic situation improved, the Fund was no longer indispensable, which was a good thing. The Fund's action in 1956 and 1957 had undoubtedly enabled the member countries to survive the worst of their economic crisis. France had benefited greatly from the Fund's assistance at a critical period, and was glad that it no longer required such assistance.

7. The increase in the quotas of the Fund had become necessary as a result of the drop in its reserves to a critical level following the balance-of-payments crisis of 1956 and 1957. Gold and convertible currency reserves had dropped from \$4,000 million at the Fund's inception to a little more than \$1,000 million at the end of 1957, but, in January 1959 they had again climbed to more than \$2,000 million. The increase in gold and dollars which would result from the increase in the Fund's quotas might not be utilized immediately, but it would give the Fund a margin with which to manoeuvre should persisting inflationary trends create a new demand for

hard currencies. Moreover, it was in periods of relative calm that international institutions should be strengthened, so that they might be prepared to act effectively in times of crisis. The French Government favoured the principle of increasing quotas, and would shortly take the necessary steps to increase France's participation in the Fund.

8. The Fund was concerned not only with balance-of-payments deficits but also with the economic policies of its members. It considered that the prevention and correction of excessive cyclical fluctuations was primarily the responsibility of the large industrial countries. That did not imply that other countries had no responsibility to prevent and correct economic imbalance; it merely meant that the efforts of the less developed countries would be ineffectual unless they were backed by the determination of the principal Powers to fight drastic fluctuations. According to the Fund, those Powers could do so by maintaining internal demand and production at a high level. France supported that view, and its economic policy was directed towards that end.

9. The recent decision of some ten European countries to make their currencies convertible was in line with the Fund's objectives, and he hoped that other countries would follow that example and progressively ease their currency restrictions. Convertibility itself, however, would be meaningless unless it was accompanied by a liberalization of trade. France, for its part, had decided to lift all quantitative restrictions on 90 per cent of its imports from countries members of the Organization for European Economic Co-operation; the same decision had been taken, although on a more modest scale of some 40 per cent, with regard to imports from the dollar area. In addition, most of its current financial transactions were now free of restrictions. Lastly, the French authorities had abolished the distinction between old and new capital belonging to foreign nationals; they had in effect extended to both categories the benefits of convertibility, so that private capital invested in France could now be freely transferred to its country of origin. In the process of revising its monetary policies, the French Government had been careful to maintain public investment at a high level so as to create a climate for economic expansion. Again it had acted in line with the Fund's objectives; it recognized the need for a continuing struggle against cyclical fluctuations to counter the persistent threat of inflation.

10. Mr. SERRANO (Chile) said that he was inclined to share the optimistic outlook of the Managing Director of the Fund and that, like him, he recognized the substantial stabilization which had been achieved in the payments situation. He continued, however, to share the fears of certain other members of the Council regarding the fluctuations in the prices of primary commodities and their effect on international trade. The Fund had actually accomplished more in its efforts to counteract that phenomenon than the Managing Director had himself recognized. Since the Fund had studied the problem closely, it seemed rather superficial to pass over it by saying merely that it could probably be solved by diversifying the production and exports of the under-

developed countries and by providing them with more capital and better technical assistance. The Fund was to be commended upon its continuing co-operation and upon renewing its stabilization arrangements to strengthen anti-inflation policy. The Managing Director had set forth the principal requisites of a sound economy and he fully agreed with him. In Chile, the recent establishment of free trade by act of Congress was in conformity with that programme; Chile had thus contributed to a sounder economic position for the whole area.

11. Mr. PHILLIPS (United States of America) thanked the Managing Director of the Fund for his appreciative remarks regarding the resilience of the United States economy and the government policies which had led to the rapid recovery from the recent economic recession. There had been a substantial decline in unemployment and a sharp rise in employment in the United States in the last month, the greatest change to occur between the months of February and March for many years. The Fund's recognition that the great credit expansion and lower interest rates in the United States had enabled United States banks to grant foreign credits more readily was a matter of gratification to his delegation.

12. With regard to the Fund's decision to increase quotas, a bill authorizing the United States to increase its share in the Fund had recently been approved by Congress, and it was hoped that other member countries would follow suit. The prospect of increased resources for the Fund would make possible more rapid progress towards a completely multilateral system of world trade and payments.

13. The Fund's report indicated that eleven of the twelve countries assisted during the last half of 1958 were among the less developed nations. That had been made possible by the steady improvement in the foreign exchange situation of the more developed nations, which had recently enabled many western European countries to take steps towards full convertibility of their currencies. It was also encouraging to note that repayments to the Fund during 1958 had exceeded drawings during the same period.

14. Confidence in the Fund's activities had been demonstrated by the increase in its membership and by the growing number of countries which had sought its advice and the use of its technical services. The consultations with members of the Fund afforded opportunities for a fruitful exchange of views, and often led to measures which strengthened the members' economies and created better balance in international transactions. The Fund was to be congratulated upon the extensive nature of those consultations and upon the technical assistance which it provided through that means. Its efforts to combat monetary instability and to foster liquidity of currencies was an outstanding contribution to the economic strength of free nations, and an essential instrument for expanding international trade and promoting economic development.

15. Mr. ANIEL QUIROGA (Spain), commenting on the report of the Fund and on the statement of its Managing Director, drew particular attention to the

fact that the recovery from the recession and the expansion of trade had not had a disruptive effect on the employment situation. The maintenance of a certain level of unemployment was undoubtedly due to technical factors. In any case, the perspicacious observations of the Fund's Managing Director should be borne in mind by countries seeking means of absorbing the unemployed in useful production.

16. The national income of Spain had increased in 1958 to a lesser extent than in the previous year, and the country had been faced with numerous monetary problems, including inflation. In 1958, however, production had risen, particularly steel production, and private industry had expanded. Although the world economic situation affected Spain only slightly, the recession had been felt in some areas of production, but potassium, zinc and lead output had continued to increase. By the close of the first quarter of 1958 Spain had been on the verge of monetary stabilization, which had, however, been prevented by circumstances. There was at present a trend towards stabilization by the absorption of the purchasing power created by easing payment facilities.

17. Spain had become a member of the Fund in September 1958. It has not yet had occasion to utilize the Fund's facilities, but it had accepted in principle the decision to increase the Fund's quotas. It was to be hoped that with those additional resources the Fund would effectively combat future economic and monetary crises and help to stabilize the development of all countries.

18. Mr. JACOBSSON (Managing Director of the International Monetary Fund) said that it had been heartening to find that there was general approval of the proposal to increase the Fund's resources. There appeared to have been no divergence of opinion on that subject among political parties in the various countries, and it was hoped that the present discussion would expedite approval by the parliaments concerned. He had been interested to hear the Netherlands representative say that he thought the proposed increase had been one of the considerations leading to the decision taken by the European countries in the matter of external convertibility. The French representative had rightly said that, in periods of calm, preparation should be made to meet possible future crises. Hence it was appropriate that the Fund should now be taking steps to increase its resources. In that connexion he recalled that reference had been made to the disappearance of the dollar shortage, and that some members of the Fund had pointed out that it should not be regarded as permanent. That was indeed sound advice, for the disappearance of the dollar shortage had been the result of the happy combination of the expansionist credit policies of the United States and the more cautious credit policies of the European countries, a situation which would not necessarily exist indefinitely. It should also be noted that there had been more requests for assistance during the recent boom than in the past, for boom periods were characterized by a scarcity of loanable funds. Hence it might well be that in some future boom period countries would turn again to the Fund to supplement the amounts normally obtainable on world markets.

19. The Finnish representative had described as a dramatic development the introduction of external convertibility by many European and associated countries. That was a step which should strengthen the Fund's liquidity, because it should encourage the trend towards the use of currencies other than the dollar for the granting of Fund assistance. Thus its facilities would now be available to the non-European countries which had formerly been unable to take advantage of them. He hoped that a further liberalization of trade would result.

20. The Mexican representative's statement was an excellent analysis of the Fund's objectives and policies. He had been right in stressing that inflation would have a harmful effect on the under-developed countries and that they should pursue a policy of exchange stability as a sound basis for growth. While it was true that so far the effects of inflation had not proved so disastrous as some had anticipated, if inflationary trends were not curbed, the day of reckoning would eventually come.

21. He did not agree with the Polish representative that the Fund's only function was to correct maladjustments in normal times, for article I of the Fund Agreement clearly indicated that the Fund should concern itself with general financial policies, problems of unemployment and so forth. It was for that reason that he had stressed the beneficial effects on the economy of the world as a whole of the expansionist credit policy of the United States. He expected that the activities of the Fund would continue to widen now that the emergency situation resulting from the Suez crisis had disappeared. The net result of that policy had been a spectacular improvement in the general currency situation throughout the world.

22. It was not quite true to say that the assistance of the Fund was reflected only in drawings, for the effect of the stand-by agreements was to create a sense of security by ensuring that there was a second line of reserves, thus helping to increase confidence in the currencies of the countries concerned.

23. The fall in the prices of primary products, which affected two-thirds of the world's population, was, as the Chilean representative had said, a very important question, and it was generally agreed that there should be a balance between the responsibilities of the developed and the under-developed countries in that respect. In the view of the Fund, the major responsibilities of the developed countries were the following. Firstly, they should seek to reduce fluctuations to a minimum and take steps to ensure that recessions were rapidly overcome. In that connexion he pointed out that changes in inventories had the effect of increasing the prices of primary products more than of any other products. The developed countries, particularly the United States and the Federal Republic of Germany, had indeed tried to meet that first responsibility by such measures as the lowering of interest rates. Secondly, more liberal trade policies on their part would help to strengthen the demand for the products of primary producers. Their third special responsibility was to provide capital for development, and it lay with the under-developed countries to satisfy the countries providing such capital that it would not

be dissipated. Fourthly, there was the matter of special commodity arrangements: while past experience in that regard had not been particularly happy, there was an increased willingness to discuss the problem, and the Fund intended to devote more attention to it in future.

24. In reply to the Pakistan representative's question about the possibility of the Fund's providing financing, he could only say that the Fund's principles and practices with regard to the use of its resources had been clearly made known in its annual reports and restated in the recent documents on which the proposed increases in its resources were based. He would add, however, that the question of financing was one which would have to be judged on its own merits after the completion of a study now being made by the United Nations, and could not be prejudged by the Council at the current session.

25. He had been interested to hear various speakers stress the usefulness of consultations of member countries with the Fund, and would point out in that connexion that in the practical experience of the Fund the question of sovereignty had never been raised. It was important that all members of the Fund should participate in such consultations, inasmuch as the Fund's interest would be increasingly directed towards general questions of policy as defined in article I of the Fund Agreement. Hence the question of how such consultations should properly be carried out would have to be examined closely in the near future.

26. He shared the feeling which the Netherlands representative had described as moderate optimism, for despite the atmosphere of political crisis the situation with regard to trade and foreign exchange was more favourable than it had been in many years. There was little evidence of flight of capital, the recession had been largely overcome, and convertibility of currency had been established. Hence it might be said that the economic life of the world was now more independent of political developments than it had ever been in the past.

27. The PRESIDENT said that he assumed the Council would wish to adopt a draft resolution similar to those adopted in previous years taking note of the report of the International Monetary Fund.

It was so decided.

AGENDA ITEM 5

Economic development of under-developed countries (E/3203, E/3208, E/3212 and Corr.1 and Add.1, E/3213 and Add.1 and 2, E/3218 and Corr.1, E/3219) (continued) :*

- (a) **Industrialization;**
- (b) **Land reform;**
- (c) **Sources of energy**

28. Mr. PAZHWAQ (Afghanistan) said that although Afghanistan had not previously been represented on the Council it had followed its activities with great interest,

* Resumed from the 1051st meeting.

for they were of particular significance to countries such as his own, a small under-developed country with many requirements and great difficulties to overcome. Afghanistan, unlike many of its neighbours, owed its backwardness not to foreign domination, but to the struggle to keep from being dominated. It had succeeded in preserving its independence, but at a very great cost, including the cost of development, and was today suffering more than any other nation in that area.

29. In those circumstances, the primary aim of Afghanistan's foreign policy necessarily had to be the promotion of its economic and social development through the creation of a generally more propitious international climate. Its guiding principles were, in fact, almost uniquely identical with those which the Council as a body was required to follow by the Charter.

30. Mindful of all those factors, the Afghan delegation would, throughout its term on the Council, strive to contribute to that international co-operation which alone could ensure the welfare of mankind and the maintenance of peace. Since such a policy would also serve Afghanistan's own interests, the sincerity of its intentions could hardly be questioned.

31. Before dealing with the specific problem of industrialization, he would like to make a few general observations on the question of the economic development of under-developed countries, in order to acquaint the members of the Council with his Government's approach to the problem. It should be repeatedly stressed that, despite many years of effort, the economic progress of the under-developed countries was still painfully slow. The Secretary-General had rightly spoken of the inadequate response to the needs of under-developed countries. Countries such as his own were, in fact, deeply concerned over the lack of a sense of urgency shown by the more highly developed countries with regard to that problem. In particular, they regretted that political considerations were retarding the progress of certain under-developed countries, obliging them to divert their attention to problems other than economic development and making it difficult for them to obtain the assistance of international bodies. His Government had always felt that the general studies undertaken had not been sufficiently comprehensive to meet the peculiar needs of certain areas, and that the methods adopted by the Council and the specialized agencies were not equally effective for all parts of the regions concerned. The needs of certain areas within regions appeared to have been neglected, owing to a policy of concentration of effort which was contrary to the principle of equalization of the levels of living of all under-developed peoples. The insufficiency of the total resources available was no more serious a problem than was the fact that the terms of assistance to certain countries made it difficult and in some cases impossible for them to take advantage of the offers made.

32. Another important consideration was that the services of experts were often terminated before the programmes on which they were working had been completed, and that they were replaced by persons with less experience and knowledge of local conditions.

Similarly, the question of ensuring the maintenance of such projects by trained local personnel after they had been completed was one to which more attention should be given.

33. Special attention should be paid to the problems arising from the ever-expanding areas of under-development, especially in the case of those countries which were partly or wholly dependent for the success of their economic development programmes on international sources of assistance such as United Nations technical assistance. In that connexion he thought that the advisability of replacing annual technical assistance allocations by allocations sufficient to cover the completion of specific programmes should be considered.

34. He had noted the Secretary-General's reference to the movement to develop closer economic ties among neighbouring countries, but wished to stress the need to take into account the differences between the economies of neighbouring under-developed countries, particularly in the case of larger and smaller ones. For example, the arrangement for the integration of the economies of certain groups of small countries, as in the case of some of the Latin American republics, could not be considered easily workable for small countries located in larger under-developed areas, particularly where there was a marked difference of social conditions and traditions.

35. He favoured the setting up of special organs dealing with the economic development of under-developed countries, but felt that if such organs were to be effective full representation should be given in such organs and in their administrations to the under-developed countries themselves, which knew better than any others what were the needs of the areas concerned. That applied in particular to the regional commissions.

36. Finally, his delegation recognized the economic interdependence of all countries of the world and believed in the principle of co-existence and the right of self-determination of peoples and nations in the economic field as much as in other areas.

37. While no one denied that industrialization was a prerequisite for the economic development of the under-developed countries, any measure taken for the achievement of economic development should consider industrial production and raw material production in relation to each other, particularly in areas where concentration in one field might provoke serious difficulties. His delegation fully endorsed the principles set forth in paragraphs 16 and 18 of the report of the Advisory Committee on the Work Programme on Industrialization (E/3213), but in that connexion it would stress that the peculiar conditions existing in different countries should not be overlooked.

38. The Mexican representative had rightly emphasized the urgency of the need for industrialization. He agreed that the encouragement of small-scale industries was one of the best means of introducing industrial organization and techniques, especially in predominantly agricultural countries, but thought that the importance of preserving certain cottage industries and handicrafts

should not be overlooked, and that they too should be promoted by the introduction of better techniques. In that connexion he noted in particular the observations made in paragraphs 69, 73 and 74 of the Advisory Committee's report, and favoured the proposal in paragraph 77 concerning the possibilities offered by arrangements for sub-contracting between large and small enterprises. He wished also to endorse the Mexican representative's suggestion that the Department of Economic and Social Affairs should serve as a centre for the interchange of experience and data culled from the industrialization process until a more effective arrangement could be established. He hoped that all Governments would respond to the inquiries for information on particular points, as referred to in paragraph 87 of the report. Finally, he endorsed the Secretary-General's suggestion that the Advisory Committee should be reconvened sometime in 1960.

39. The activities of the United Nations in developing new sources of energy and its work on the use of alternate sources of energy were among the important steps taken so far to benefit the economy of the world as a whole and of the under-developed countries in particular. The international conferences to be convened in the near future should concentrate on methods that would help under-developed countries by encouraging the development of the particular sources of energy which fitted their needs and economic programmes, for the introduction and exploitation of energy in each country was of necessity based on its demands and requirements. Hence, research on each source of conventional and non-conventional energy was important. Emphasis should be placed upon resource appraisal and the analysis of long-term costs of fuel and power, as also on the ability of the under-developed countries to meet those costs. The suggestions for the agenda of an international conference on new sources of energy, as set forth in the Secretary-General's report (E/3218 and Corr.1, part I), were interesting, especially because they recommended that the forthcoming conferences on that question should study practical principles rather than scientific and research methods. He hoped that the most advanced industrial countries would help to make the forthcoming conferences successful, for only they, with their advanced technical and scientific knowledge, could guide the under-developed countries in developing their energy resources within the limits of their economic capabilities.

40. Not less important for the under-developed countries, particularly those which were predominantly agricultural, was the question of land reform. His delegation had carefully studied the report of the Secretary-General (E/3208) and found it very useful. He also wished to express his appreciation of the work done by the United Nations and the specialized agencies in that field. The problem of land reform was not, however, one which could be studied in general terms: the application of land reform measures must vary from country to country in the light of their economic, social and historical differences. For that reason the work of the United Nations and the specialized agencies should be expanded and more practical studies instituted to help meet conditions peculiar to each region.

41. Mr. GALAGAN (International Atomic Energy Agency), speaking at the invitation of the President, said that many countries had not yet initiated programmes for the development of the peaceful uses of atomic energy and required assistance in assessing their needs and planning their programmes. Accordingly, one of the first activities of the International Atomic Energy Agency had been to organize and dispatch preliminary assistance missions or to make preparatory surveys of various kinds. Its first mission had been sent in 1958 to seventeen Latin American countries to determine whether or not one or more training centres in the field of peaceful uses of atomic energy should be established in Latin America. The mission had recommended that at least one specialized training centre and one integrated atomic centre should be set up as soon as the necessary funds and staff could be found.

42. Short exploratory missions had visited Pakistan, Thailand and the United Arab Republic in 1958 at the request of the Governments concerned. The mission to Pakistan had been related to problems of research reactors, gamma irradiation, isotopes and health physics, while the mission to Thailand had given advice on reactor technology. With regard to the United Arab Republic, advice had been sought on the feasibility of extracting uranium from phosphate ores and of producing heavy water.

43. At the beginning of 1959 a preliminary assistance mission had visited Burma, Ceylon, Indonesia and Thailand to study their requirements in nuclear physics, prospecting, mining and processing of atomic raw materials, research and power reactors, the use of radioisotopes and training facilities. Two similar missions would visit other member States in Asia and Latin America during 1959.

44. As a result of such preliminary assistance, by the end of March 1959 the Agency had received thirty-five requests from twenty-two countries for specific technical assistance projects in the field of atomic energy. The requests, which covered a wide range of subjects, were at present being processed, in consultation with the countries concerned, the United Nations and the specialized agencies as appropriate.

45. The lack of scientific and technical personnel possessing the necessary qualifications was one of the chief reasons why many countries were not in a position to make speedier progress in utilizing atomic energy for peaceful purposes. The Agency had in fact recognized in its initial programme that assistance to Member States in that matter should be one of its major activities in its early years, and it had taken steps in that direction. In 1958, 287 nominations for fellowships had been received from thirty countries and of that number 256 had been selected for placement in twenty countries.

46. With regard to energy development, atomic energy was already being used in a few countries as a means of producing electric power, and there was little doubt that as demand increased, more and more countries would turn to that source of energy for their power requirements. Obviously, its suitability and economic competitiveness would vary considerable, depending upon

local conditions and future technological developments in the reactor field. It could therefore be anticipated that the Agency's assistance to its members in the field of nuclear power would become one of its most extensive activities. Even before reaching the power utilization stage, however, member States might look to the Agency's reactor programmes as a means of acquiring knowledge of the operation of reactors and facilities for specialized training. It was for that reason that the Agency's initial programme had provided for the collection, evaluation and dissemination of information on developments in reactor and other nuclear equipment. Considerable information had been received and would be published in due course.

47. In order to put into effect a resolution adopted by the General Conference in October 1958 on assistance to the less developed countries, the Agency was seeking places which appeared to offer good prospects for installing nuclear plants in future years; they must be places where there was an urgent need for power and where conventional power costs would be high, principally because of the cost of transporting fuel. A second and concurrent phase of the Agency's work in that direction was the continuing scrutiny of technological developments in small and medium power reactors which would meet the economic requirements of the under-developed countries. The Agency was planning to hold a conference in 1960 to deal with the technical feasibility of small and medium power reactors and their economics, as also the application of such reactors to specific conditions in the less developed countries.

48. The Agency realized, of course, that the problem of developing nuclear energy in any one country was but part of the general problem of energy development. It would therefore have to rely heavily on general economic considerations in recommending those first sites for the installation of nuclear power plants and to select typical situations which seemed to be worth investigating. In that connexion, it would welcome information and advice from the economic branches and regional commissions of the United Nations on the conventional energy aspects of the situations to be recommended for investigation, as also on the general economic factors involved. The Agency deeply appreciated the co-operation it had received from the United Nations in the first stages of its work. The kind of information it required was not readily available, because it had hitherto been difficult to explore adequately the possibility of competition between nuclear power and high-cost conventional power in the less-developed countries. Such a comparative study was essential in order to determine the feasibility of any project of that kind.

49. The PRESIDENT invited the observer for the Philippines to address the Council.

50. Mr. MALOLES (Philippines) said that the crux of the problem of the economic development of under-developed countries was the availability, or lack, of capital. More attention should therefore be paid to means of altering the present pattern of capital investment, in which most of the private capital invested went

to countries which needed it least, little being invested in countries where it could do the most good. For instance, of the \$34,000 million in United States funds invested abroad, some 90 per cent had gone to Canada, about 7 per cent to the Latin American countries and less than 4 per cent to Asia and Africa. Profit and security were obviously the criteria for such investments. There should be a greater flow of capital to the under-developed countries. As the Polish representative had rightly observed, the pattern of investment by the International Monetary Fund had been to a great extent directed more to the highly industrialized countries than to the less developed areas of the world. As a result, most under-developed countries found themselves in the same situation as the Philippines, which, moving from a rural to an industrial economy, had made great strides, only to find that it now needed more capital than it could obtain in order to maintain its industries, which were at present operating at only one-third of their capacity. Thus a country which had the technical knowledge and natural resources needed to carry out a large-scale programme of industrialization was unable to do so because of a shortage of capital.

51. The financial institutions of the United Nations could do much to help the less-developed countries, but they, too, were faced with a shortage of funds. If the Economic and Social Council wished to raise the levels of living of people in the less-developed areas it would have to promote the industrial and economic development of the countries concerned. In its valuable report (E/3213) the Advisory Committee had made particularly useful recommendations on the general orientation of the programme of work. Unfortunately, its recommendations could serve only as a guide, since they could not be carried out, owing to lack of capital.

52. With regard to land reform, feudal holdings and the concentration of large landed estates in a few hands had always been a severe obstacle to industrial and agricultural development, particularly in over-populated countries such as India, Pakistan and Japan. On the other hand, large areas of land suitable for farming remained uncultivated in countries such as Argentina, Australia, Brazil, Canada and the Philippines, where most farmers were concentrated in a relatively limited area. The solution there was not the parcelling out of landed estates to the farmers, but the opening of new lands for the establishment of settlement farms to which rural workers could be induced to move, with government assistance. Where such a transfer was particularly difficult because of strong communal and family ties, the best course would be to improve landlord-tenant relations, to give the tenant farmer a greater share of what he produced, and to provide him with security of tenure. Those were among the methods which had the advantage of permitting land distribution and improving land tenure without any fear of compulsion or threat of government coercion, for more often than not such measures had been employed as political instruments with which to secure the support of the masses and had generated hostility and resistance on the part of the landed classes. The basic philosophy should be, as it was in the Philippines, to create a nation not of peasants

but of independent farmers. The problem of land reform had, however, to be studied and solved in the context of varying conditions and circumstances; no general rule could be applied to every country.

53. Mr. GAGLIOTTI (United Nations Educational, Scientific and Cultural Organization), speaking at the invitation of the President, said that UNESCO's activities in the field of economic and social development were mainly concerned with helping Governments to find solutions to problems arising out of the social implications of industrialization. The work of UNESCO included such tasks as helping universities and research institutes in under-developed countries to organize research and collect basic data on problems of urbanization, productivity, small-scale industries, new industrial towns, river valley projects and so forth. It was being carried out mainly through the UNESCO Research Centre on the Social Implications of Industrialization in Southern Asia, at Calcutta, and to some extent the UNESCO-sponsored Latin American Research Centre at Rio de Janeiro. The Calcutta Centre had been specifically directed to continue its work of collation and interpretation of existing material and findings in the social sciences, providing documentation in the social sciences, undertaking pilot studies to stimulate further research, assisting government services and academic institutions in research projects, organizing research under contract with Governments and universities or institutions, and providing training and research for fellows nominated to the Centre. In 1959 the Centre would work on the following projects: a study of small-scale industry in India and the Philippines, a study of a new steel town in India and a preliminary study of the Damodar Valley project in India. The Latin American Research Centre was scheduled to undertake the following projects in 1959 with UNESCO funds: a study of the social implications of the introduction of the oil industry into Bahia, a study — in co-operation with the Food and Agriculture Organization of the United Nations (FAO) and the University of Costa Rica — of agrarian systems and agricultural working conditions in Central America, and a study on social stratification in Latin America. Action by UNESCO in other areas was also provided for.

54. With reference to land reforms, UNESCO would continue to co-operate with FAO, and was now discussing with it UNESCO's contribution to the report to be submitted to the Economic and Social Council in 1962.

55. Several papers dealing with the utilization of wind energy and various aspects of solar energy had been provided by UNESCO. Within the framework of its arid zone project it would continue to assist research work on wind and solar energy in various institutions and in particular at the practical level.

56. Mr. ORR (Food and Agriculture Organization of the United Nations), speaking at the invitation of the President, said that, with respect to land reform, FAO's basic objective was to give appropriate assistance to member Governments in carrying out land reform activities, or in the planning of such activities in coun-

tries where they might be needed but where plans had not yet been developed. Its programmes were based on regional centres, publications and technical assistance to individual countries. While the organization of regional centres and the publication programme had developed according to plan, assistance to individual Governments had depended upon their requests, which had been limited in number and scope in spite of strong urging by the FAO Conference. Furthermore, the full utilization of the services of FAO experts had at times been impaired by various difficulties which Governments had encountered in their endeavours to put land reform on a sound technical footing.

57. Under the Expanded Programme of Technical Assistance, co-ordination, which was essential to FAO's work in the field of land reform, became primarily the responsibility of the requesting Government. As a result, FAO was sometimes placed in the difficult position of deciding whether a particular request was likely to produce useful results if it did not include all the necessary elements. The periodical inter-agency meetings on land reform convened by FAO had achieved valuable results in co-ordinating the regular programmes of the organizations concerned. In order to avoid overlapping in the technical assistance programmes, permanent contact both at Headquarters and in the field was necessary.

58. With regard to regional and national centres, the organization of regional centres on land problems had been a very successful initial approach, but future programmes would probably give priority to national seminars which dealt with specific problems of individual countries.

59. Technical assistance to member Governments had hitherto been provided through individual experts trying to cover the entire field of improvements of the agrarian structure. For future programmes it might be useful to consider the organization of properly constituted land reform teams, which could deal simultaneously with the whole complex of institutional problems associated with land reform, including agricultural credit, marketing, extension services, co-operatives, land administration and community development. One such team was being established to assist Latin American Governments; as it would be composed of experts with a comprehensive knowledge of land reform, the countries it visited would receive valuable practical advice.

60. In future programmes FAO would encourage Governments to make surveys of tenure conditions and land use, as a desirable prerequisite to initiating realistic measures.

61. In general, FAO would concentrate in future on providing assistance to members in organizing methods of evaluating the implementation of land reform measures, in the organization and co-ordination of long-range evaluation as well as research, particularly with respect to the design of research programmes, and in the collection of statistical data and other useful information.

The meeting rose at 6 p.m.