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SECOND COMMITTEE, 402nd MEETING

Wednesday, 12 December 1956, at 10.30 a.m.

New York

CONTENTS

Chairman: **Mr. Mohammad MIR KHAN (Pakistan).**

AGENDA ITEM 26

Programmes of technical assistance (*continued*):

(*a*) Report of the Economic and Social Council (A/3154, A/C.2/189 and Add.1) (*continued*)

QUESTION OF TECHNICAL ASSISTANCE IN PUBLIC ADMINISTRATION (A/C.2/L.292) (*concluded*)

1. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) asked whether the Iranian delegation would agree to add to its draft resolution (A/C.2/L.292) a clause specifying that the necessary appropriations to carry out the Secretary-General's recommendations would be within the limits of allocations to the general budget of the United Nations.

2. Mr. ARDALAN (Iran) said that it was for the Fifth Committee to deal with the question raised by the USSR representative.

3. Mr. QUEUILLE (France) agreed with the Iranian representative. He would vote for the draft resolution.

4. Mr. BAHADUR (Nepal) said that his country, situated at the crossroads of the civilizations of India, China and Central Asia, had inherited a body of obsolete laws, regulations and practices which, together with the rugged nature of the country and the lack of means of communication, seriously impeded its development.

5. His Government had discussed the problem with experts sent by the United Nations and other technical assistance bodies and had decided to set up an administrative training centre at Katmandu. Its first intention had been to overhaul its administrative system completely, but that solution had been rejected for fear that such a comprehensive reform might for a time divert the attention of the public authorities from other important aspects of the modernization programme. The Government had also considered it inadvisable to set up a separate organization to administer the five-year plan, so as to avoid increasing inter-departmental rivalry and any weakening of the traditional administrative system. It had therefore chosen the middle course; it had decided that the permanent government agencies would be responsible for the execution of development work in their respective fields, subject to co-ordination and direction of the programme at the national and local levels. Technical committees had been attached to each Ministry and a special committee of experts from the United Nations, the United States International Co-operation Administration, the Colombo Plan for Co-operative Economic Development for South and South-East Asia and the Ford Foundation had been established to co-ordinate the activities of the various missions.

6. The Nepalese delegation shared the views expressed by the Secretary-General in document A/C.2/189, and would accordingly vote for the Iranian draft resolution (A/C.2/L.292).

7. Mr. BENN (Australia) said that he would vote for the Iranian draft resolution. He would not deal with the financial aspect of the problem, which would be considered by the Fifth Committee.

8. Mr. WOULBROUN (Belgium) and Mr. ELFVING (Sweden) associated themselves with the Australian representative's remarks.

The Iranian draft resolution (A/C.2/L.292) was adopted by 53 votes to none, with 9 abstentions.

AGENDA ITEM 27

Economic development of under-developed countries (A/3154, A/3192):

(*a*) Question of the establishment of a Special United Nations Fund for Economic Development: report of the *Ad Hoc* Committee (A/3134 and Corr.1 and 2);

(*b*) International tax problems: report of the Economic and Social Council;

(*c*) Industrialization of under-developed countries

GENERAL DEBATE

9. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs), opening the general debate on agenda item 27, said that in the private enterprise industrial countries the post-war years had been marked by a relatively consistent rise in the indexes of production, income and levels of living, which had continued after the cessation of hostilities in Korea, despite the substantial reductions in defence budgets. That situation reflected growing confidence on the part of consumers and business circles in the long-term trend. The industrial countries had succeeded in maintaining full employment in time of peace, whereas during the ten years preceding the war they had experienced large-scale unemployment.

confined themselves to granting commercial loans, which were of particular interest to United States importers of Latin American products and to United States exporters of consumer goods, but in no way helped to solve the capital goods problem. Out of the purchases amounting to $3,297 million made in the United States in 1955, Latin American countries had spent $1,461 million on machinery, iron and steel products and capital goods, which virtually had to be paid for in cash, as the countries could only obtain commercial loans with terms of six, nine or twelve months.

50. The International Bank had a very conservative policy, as shown by the fact that in 1955 its loans to Latin America amounted to a total of only $70 million. Bound by its Articles of Agreement it had limited its activities to financing the most urgent development projects, and was not in a position to meet the foreign exchange needs subsequently resulting from those projects. Thus, while the International Bank could generally lend $200 per kilowatt of energy, which was the average rate of investment required for the installation of a power plant, it was difficult for it in most cases to make available the additional $500 per kilowatt which consumers subsequently required in order to import refrigerators, kitchen ranges, motors, et cetera. Moreover, International Bank loans had to be guaranteed by the Government concerned, and that implied government supervision, which was not compatible with the freedom of action required by private initiative. It was not surprising, under the circumstances, that the loans were used to finance government projects, particularly in the field of transport and public utilities.

51. Export-Import Bank loans were much easier to obtain, but they raised a number of problems. First, that institution apparently did not wish to grant loans for economic development except in amounts needed to finance the purchase of machinery in the United States. However, such purchases represented only a very small part of the cost of public works projects which the Governments wished to carry out. Second, although the loans were offered with longer terms and at reduced interest rates, they were less favourable than loans which could be obtained in Europe, where the necessary goods were offered at much lower prices. Therefore the only enterprises which could utilize Export-Import Bank aid were those having concrete projects, and in general such enterprises preferred to finance the projects in local currency and obtain from their central bank the dollars required for the purchase of the necessary machinery so that they might thus be free to purchase machinery in Europe or the United States, wherever the terms were more favourable. Third, before embarking upon new projects, Latin American countries considered it essential to enable established private industries to develop and modernize their plants. No application for credits was made to the Export-Import Bank for individual projects, because they came under private enterprise over which the Governments exercised no control and which had sufficient capital available in local currency to carry out the projects. Nevertheless, such enterprises required foreign exchange in order to purchase their equipment abroad, and the Governments should be able to apply to the Export-Import Bank for the funds which would permit the central banks to spread over several years the conversion into dollars of the amounts spent for such purposes. Furthermore, loans were not considered sound from a banking standpoint unless they were granted to enterprises which could produce dollars or reduce the dollar needs of the country concerned; but economic development projects such as electric power projects, roads and communications did not necessarily result in increased exports. It was to be hoped that Latin American countries would be able to industrialize and to meet competition on the international market, but the transition period might require from ten to twenty years, and in the meantime Latin American countries had to be able to obtain the credits which were essential to them.

52. As Mr. Holland, United States Assistant Secretary of State for Inter-American Affairs, had said on 23 April 1956, the Export-Import Bank had never rejected a loan application from a Latin American country on the grounds that the Bank doubted the country's ability to pay. It should be recalled in that connexion that the Export-Import Bank would be called upon only if the necessary funds could not be obtained from the International Bank. Yet Latin American countries did not feel that they could request the Export-Import Bank's aid for projects which the International Bank had rejected, not because it questioned the importance or the value of such projects, but because it considered that the payments position of the country concerned warranted a postponement of the projects. That reasoning had deterred many Latin American countries from applying to the Export-Import Bank for loans.

53. It was true that the loans granted by the Export-Import Bank had increased from $52 million in 1953-1954 to $284 million in 1954-1955, and that that had been cited as proof of the success of the credit policy announced by the United States at the Rio de Janeiro Conference. Unfortunately, that rate of increase had not been maintained; the credits offered had declined to $155 million in 1955-1956, and of those only $70 million had actually been utilized. During the same fiscal period the Export-Import Bank had received $120 million in repayment of loans previously contracted by various Latin American countries.

54. The preceding observations indicated the inadequacy of the solutions which had hitherto been suggested to ensure the economic development of Latin America. It would, in fact, be rather naive to count on the development of international trade, the volume of which had hardly increased during the past ten years; or on capital investments from the United States, which up to the present had amounted to only 5 per cent of the investments made in Latin America during the past fifteen years; or on long-term loans, which covered only 6 per cent of United States exports to Latin America. He believed that instead of the hundreds of proposals made at the various international conferences for the purpose of solving minor specific problems, it would have been better to attack the very core of the main problem, namely, the ever-increasing disparity between the gross *per capita* national product of the Latin American countries and that of the more advanced countries. Public opinion should understand the gravity of the situation, which was so dangerous from the social standpoint, in order that Governments could, in order to improve the situation, carry out some of the measures proposed at various international conferences. Among such measures, particular attention should be given to the proposals made by the State Department of the United States for increasing trade with Latin America. The fact that the volume of trade between the United States and Latin America had already increased by 15 per cent was due, in particular, to the efforts of Mr. Holland, to whom he wished to pay a tribute. Many problems would disappear if that increase could be main-

tained. There were also proposals to increase the long-term loans granted to Latin America and the proposals on tax regulations made by President Eisenhower in his Economic Report which, if applied, would eliminate many evils.

55. So far as the United Nations was concerned, it would be useless for it to adopt new resolutions. It should concentrate its efforts on establishing SUNFED and give its full support to the Economic and Social Council, and especially to the Economic Commission for Latin America, whose studies and investigations had proved of such great value to the countries desirous of developing their economies.

56. He proposed to speak further on the question of SUNFED when that question came up for discussion.

The meeting rose at 1.5 p.m.

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