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CONTENTS

	Page
<i>Agenda items 12, 29 and 74:</i>	
<i>Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (continued)</i>	
<i>Economic development of under-developed countries (continued):</i>	
(a) <i>International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council;</i>	
(b) <i>Question of the establishment of a United Nations capital development fund: report of the Secretary-General;</i>	
(c) <i>Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council;</i>	
(d) <i>Promotion of wider trade co-operation among States: report of the Secretary-General</i>	
<i>Land reform (continued)</i>	
<i>General discussion (continued)</i>	115

Chairman: Mr. Janez STANOVNIK (Yugoslavia).

AGENDA ITEMS 12, 29 AND 74

Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (A/4415) (continued)

Economic development of under-developed countries (continued):

- (a) International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);
- (b) Question of the establishment of a United Nations capital development fund: report of the Secretary-General (A/4488, E/3393, E/3393/Add.1-4);
- (c) Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council (A/4489, E/3379, E/3379/Add.1-6);
- (d) Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)

Land reform (A/4439) (continued)

GENERAL DISCUSSION (continued)

1. Mr. AYARI (Tunisia) emphasized how necessary the presence of the new States was to the United Nations. Poverty and hunger would never be overcome and the different economies would never be able to develop harmoniously so long as peoples remained subjected to various forms of colonialism and imperialism and all the countries of the world were not represented in the Organization.

2. During the past ten years, two important features had characterized the world economic situation: the strengthened economic position of the Western European countries and the alarming deterioration in the terms of trade of the poor countries.

3. Since the establishment of the Organisation for European Economic Co-operation (OEEC) in 1950, and of its corresponding monetary organization, the European Payments Union, the Western European countries had entered upon a phase of continued economic expansion disturbed only by a short-lived recession at the end of 1958. That was best shown by the fact that those countries had improved their balance of payments with the dollar area and built up strong foreign exchange reserves. The rate of growth had, however, been much lower in France than in the Federal Republic of Germany and the United Kingdom, for example, because of the instability of the franc, due to the military expenditures which had burdened the French economy since 1950; and that instability had spread to the other countries of the Franc Area. After the partial "multilateralization" of trade made possible by OEEC, the establishment of the European Economic Community had led to a more comprehensive liberalization of trade between five European countries. Other European countries were also seeking new modes of economic integration within the framework of a free trade area. The chief result of Europe's new economic structure had been, it would seem, to make its economy less sensitive to fluctuations in the economy of the United States. As the Under-Secretary for Economic and Social Affairs had rightly pointed out in his statement (646th meeting), the European recession in the spring of 1958 had been caused not by a slackening of demand, as had been the case in the United States, but by the rigidity of supply, all the Western European countries having reached their total output capacity. Perhaps a more pronounced recession in the United States would affect the European economies, but Europe's current economic and financial situation would make it better able than in the past to resist a depression in the United States.

4. While Western Europe's economic position had grown stronger, the level of living in the primary producing countries had steadily declined. The restoration

of the European economic situation had not been due entirely to the dynamism of the capitalist countries of Europe; those countries had also benefited from the monopolies which their dominant economies exercised over the African countries. By means of customs unions, preferential tariffs, quotas and linked currencies, the metropolitan economies had in the end isolated the African countries from the rest of world trade; the variations in the net balance of accounts and balance of payments of those countries were thus chiefly due to the metropolitan country's policy, which consisted in requiring the African countries to consume metropolitan products at prices often higher than world market prices and in influencing exports of raw materials through the combined effect of quotas and low prices. As several representatives had shown, there had been a 20 per cent deterioration in the terms of trade of the raw materials exporting countries. According to the Economic Survey of Africa since 1950 (E/CN.14/28),^{1/} the trade balance of several African countries had become adverse between 1950 and 1957, and in the cases where it had already been adverse, the deficit had increased. During the same period, only ten out of twenty-three African countries had shown an export surplus, while thirteen, of which nine belonged to the Franc Area, had shown an import surplus. The example of the Franc Area countries also showed the extent to which the African countries were dependent on the metropolitan economies: the deficit of all the African countries of the Franc Area in their trade with France had risen from 356,300 million in 1950 to 658,400 million in 1958. Throughout that period, the percentage of the deficit with France as compared with the total deficit had ranged between 88 per cent (in 1950) and 72 per cent (in 1957). Those figures spoke for themselves. It should be added that that deficit in the balance of trade was not counterbalanced by a large-scale movement of private capital to the African countries. Moreover, the disequilibrium in the balance of payments aggravated the economic situation in those countries.

5. In his report to the Economic and Social Council on the international flow of private capital 1958-1959 (E/3369),^{2/} the Secretary-General stated that the total net inflow of private long-term capital into under-developed countries had increased from \$1,532 million in 1956 to \$2,222 million in 1957 and had fallen to \$1,185 million in 1958. Thus the net inflow of long-term capital in 1958 had represented only half the total for 1957; that decrease was attributable to the fact that the net inflow of foreign capital into Venezuela had decreased by \$1,000 million; if the net inflow of capital into Venezuela was deducted from the total, it would be seen that the total net inflow of capital into the other under-developed countries had remained constant: at about \$1,000 million per year from 1956 to 1958. It would be noted that Africa's share of that total had not exceeded \$100 million per year. However, it should be pointed out that that figure did not take into account private capital invested in the Franc Area, which had been estimated at 160,000 million francs in 1954, 158,000 million in 1955, 171,000 million in 1956 and 190,000 million in 1957. It was the investments in Algeria, particularly in the petroleum industry, which accounted for the greater part of the volume of private capital. Until 1956, the year when it attained political

^{1/} United Nations publication, Sales No.: 59.II.K.1.

^{2/} Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda items 2 and 4.

independence, Tunisia had received an average of only 2,500 million francs per year.

6. The general tendency of private capital to gravitate towards the most profitable sectors had hardly helped to develop the international structures of the exploited economies. That explained the size of the so-called direct investments through subsidiaries and branches of the big foreign trusts operating in Africa. The Economic Survey of Africa since 1950 showed that the book value of direct investments by the United States in North Africa had been \$145 million at the end of 1958, of which \$111 million had been in the petroleum industry, and that the inflow of capital, including re-invested profits, had amounted to \$13 million in 1958, as compared with \$7 million in 1957. In the countries which had attained independence, the flight of capital from Africa to the metropolitan country had unquestionably led to a considerable weakening in domestic sources of financing. In Morocco and Tunisia, the flight of capital had become particularly intense when the two countries had refused, in December 1958, to come into line with the latest devaluation of the French franc. However, thanks to flexible but firm regulation, it had been possible to mitigate the effect of that large-scale outflow of capital. In order to be better able to watch over its financial and monetary equilibrium, Tunisia, which had recently established its own currency, the dinar, and a national issuing institution, had requested, only a month before the devaluation of the franc, a reorganization of the Franc Area, which had been operating to the detriment of the policy of growth pursued by the newly independent African States. The Government of the Republic of Tunisia had, moreover, often expressed a desire to see the Franc Area become an area of economic and financial co-operation, in which national sovereignties were respected. Instead of continuing to exercise a sterile and ruinous domination over the African countries, France should have harmonized the growth of the African economies within the framework of a voluntary association.

7. In the field of international assistance to the under-developed countries, the annual report of the Technical Assistance Board to the Technical Assistance Committee for 1959 (E/3337)^{3/} showed that the total assistance furnished to Africa under the Expanded Programme of Technical Assistance had risen from \$2,915,000 in 1957 to \$3,387,000 in 1958 and \$3,746,000 in 1959. For its part, Tunisia had received \$69,000 in 1955, \$74,000 in 1956, \$168,000 in 1957, \$238,000 in 1958 and \$241,000 in 1959, or a total of \$790,000. The loans granted to the African countries by IBRD from 1951 to 1958 had amounted to \$547,200,000; of that sum, \$15,703,000 had been advanced to Franc Area countries, of which \$10,000,000 had been for the petroleum industry in Algeria. Tunisia had not yet received any loan of that kind. In any case, the total capital invested was inadequate. The financing of a few projects would help to bring about the expansion of certain industries and to create employment, but the immense needs of the under-developed countries required a more sustained effort within the framework of broad programmes of industrialization.

8. In order to combat hunger and poverty during the years following its attainment of independence, Tunisia, which had inherited a ruinous colonial structure, had first sought to improve the agricultural situation: it had granted cultivable land to the peasants,

^{3/} *Ibid.*, Thirtieth Session, Supplement No. 5.

established development areas, trained administrative staff of intermediate and senior grades, and reorganized agricultural credit through the establishment of a national bank. In the industrial field, it had undertaken, with the help of foreign capital, the local processing of its agricultural and industrial raw materials (phosphates, esparto-grass, iron ore) and the adaptation of handicrafts. The establishment of a Tunisian development bank and a national investment company had made it possible to reorganize industrial credit for healthy and effective development. With regard to trade, Tunisia had replaced a customs union which had given it too adverse a trade balance by tariff agreements which opened up broader horizons for it; in so doing it had sought to sell its agricultural surpluses at the best possible price and to industrialize at the least possible cost. Whereas under the protectorate the deficit in its balance of trade had amounted to an average of 20,000 million francs, Tunisia had two years previously restored equilibrium in its foreign trade, thanks to the expansion of its exports and a marked reduction in unnecessary imports. Moreover, its budgetary policy was aimed at eliminating waste. Until 1957, Tunisia's capital investment budget had been financed by long-term French credits, amounting on the average to 12,000 million francs per year. When that aid had been broken off in 1957, Tunisia had had to mobilize all its forces to overcome the resulting difficulties. The preparation of a plan of economic development, under the direction of the President of the Republic himself, would lead to the harmonization of medium and long term objectives.

9. Africa should undertake a far-reaching plan of development and construct the broad-based economy on which the level of living of 200 million human beings depended. In that connexion, Prince Moulay Hassan had laid before the General Assembly (886th plenary meeting) a programme for the reconversion of the African economy which deserved careful study. However, it was within the framework of multilateral agreements, preferably under United Nations auspices, that the new African countries should construct their international economic relations. The establishment of a United Nations capital development fund would make it possible to finance the necessary investments, and for that reason the Tunisian Government fully supported that project. His delegation also considered it necessary to enlarge the membership of the Economic and Social Council because of the attainment of independence by a large number of African countries.

10. Tunisia was ready to give any African country which desired it the benefit of its four years of experience in economic decolonization and struggle against under-development, and wished the Committee success in its work.

11. Mr. HOLMES (Ireland) recalled that the Under-Secretary for Economic and Social Affairs, in speaking of the common responsibility of all nations to help in raising the levels of living in the under-developed parts of the world had suggested that they had "condemned" themselves to making further progress each year. Although assistance activities and programmes had increased remarkably during recent years, it was none the less true that the task incumbent upon all countries to attain the goals of the Charter was extremely complex. Many had maintained that the slow progress made was due to the cold war. While it was true that the cold war entailed a tragic waste of human and material

resources, it would nevertheless be a grave mistake to ascribe to it alone the blame for all the difficulties. Peoples aspiring to a better future should not consider the ending of the cold war as a pre-condition for their advancement, but should rather turn their minds towards the great current of independence and freedom now sweeping through the world and see whether they could not find in it a more hopeful sign for the attainment of their goals.

12. Some delegations felt that there was some automatic and mysterious correlation between the size and scope of programmes of capital investment, trade development, technical assistance and the like, and the gradual realization of the aims set forth in the Charter. The sad fact, however, appeared to be that there was no known means of guaranteeing that a given application of resources to one part of the economic system would yield a proportionate return in terms of living standards. In fact, there was no general theory which could be relied upon to set in motion the machinery whereby the peoples of the under-developed countries could most rapidly begin their upward climb. Every move in that direction must be assessed in the light of local and regional possibilities rather than by reference to preconceived theories and as the scope of such moves increased so too would the task of balancing their overall impact. It was in that field that the main efforts should be concentrated and the progress achieved should be judged. It might well happen that some undertakings would not turn out successfully but the important thing was that all concerned should be constantly striving for new solutions, learning from past mistakes and assessing the progress made in the light of the principles of the Charter.

13. The countries which needed assistance were very often themselves the best judges of the fields in which that assistance could be most effective and the newly independent States should be given every opportunity of expressing their own views as to the kind of economic development each considered most appropriate and should receive every assistance in working out that development for themselves. In that respect, the regional economic commissions had an important part to play; they must ensure that every effort was made to co-ordinate and strengthen regional development as a whole. At the same time, it was most important that each country's ultimate responsibility for its own economic destiny should not be obscured from its people by the operation of such activities. The newly independent countries were understandably impatient to take control of their own affairs and, indeed, such an attitude was of tremendous psychological importance if they were to possess to the full that confidence and enthusiasm without which no programme of economic development could hope to succeed.

14. During the past forty years, Ireland had experienced the difficulties which confronted all countries seeking to bring about economic development in the wake of political independence. From the start its efforts had been severely hampered by the fact that the natural unity of the country had not been preserved and that one-fifth of its area, comprising nearly one-third of the Irish people together with some of its most important industrial and trading centres, had been separated from the rest. Nevertheless, Ireland had succeeded in bringing about very considerable improvements for its people, particularly in the development of hydroelectric power and turf fuel, in the

construction of houses, hospitals and schools, and in the establishment of new industries based on native raw materials.

15. Notwithstanding those achievements, Ireland had not succeeded in establishing a viable economy. During the post-war years, its economic growth had not been as rapid as that of most Western countries and its balance of trade had continued to be unfavourable. Although Ireland had benefited from the Marshall Plan and from the co-operative attempts of the European countries to tackle their economic problems together in the OEEC, the population continued to remain virtually stationary because the continued outward flow of emigration took some of the best manpower while those remaining lived under the threat of unemployment.

16. It was in those circumstances that the Government had undertaken in 1957 a re-examination of the whole question of economic development. The country already possessed a sound infrastructure in the form of power, transport facilities, public services, houses, hospitals, schools, training centres, banks, insurance companies and professional men in all fields. However, that economic infrastructure had not in fact sufficed of itself to call forth the required degree of economic progress. His delegation felt it useful to bring that fact to the notice of the newly independent countries. They had, of course, one great advantage which had not existed forty or even twenty years ago: there stood ready to advise and assist them a wide array of specialized agencies and organizations dedicated to international co-operation in each of the main fields of development and staffed by men and women possessing expert qualifications and experience. But such assistance, however useful, was not enough to ensure the success of development programmes, which depended on the determination and calibre of the people concerned.

17. What had principally been lacking in his own country was the dynamism necessary to bring about an increase in productive investment and thereby a rise in the national income and in the living standards of the people. It was not simply a question of increased capital investment and still less of introducing a centrally-planned economy, for Ireland had always believed in the principles of free enterprise. It was rather a question of finding a means through which the latent possibilities of the economy could be released. It had been estimated that, if the volume of Ireland's gross national product (which between 1949 and 1956 had increased at an annual rate of about 1 per cent) could double its rate of growth, the result would be to double the real national income in a period of thirty-five years. With that aim in view, the Government had, in 1958, undertaken a programme for economic expansion which was not at all an economic plan as that term was generally understood, but rather an attempt to redefine the objectives of Ireland's economic policy in the light of present-day and probable future conditions. The programme concerned itself with each of the major fields of development over an initial period of five years. Those five years, ending in 1964, were regarded as being of critical importance for the whole future development of Ireland's economy and the programme was intended to help to bring the urgency of the problems clearly before the people so that all might play a part in solving them. The programme covered four principal fields: agriculture, fisheries,

forestry and forest products, and industry. In each of those sectors the main lines of future progress were examined and the additional capital cost involved was estimated, with indications as to the sources from which it might be met. Although it was perhaps too early to attempt to forecast how the programme might proceed, there were already encouraging signs in the economy, particularly in the field of industrialization, and there was good reason to believe that the rate of growth of national income recorded in 1959 (3 1/2 per cent) would be significantly exceeded in 1960.

18. The outcome of any programme of economic development could never depend entirely on the efforts of the people but would also be affected by regional and international developments. The groupings and arrangements designed to bring about a greater degree of co-ordination in the economic policies of European countries would be of especial significance for Ireland. Similarly, the economic development of the newly independent countries was closely linked to the world economic situation. That point had been clearly brought out by the Secretary-General in the introduction to his latest annual report (A/4390/Add.1).

19. His delegation warmly supported the Secretary-General and the Secretariat in their approach to the tasks of helping the new nations and working to raise living standards all over the world. To succeed in that noble mission the first great need was to prevent the dissipation of energies in the cold war and to mobilize all the resources of the United Nations to reach an understanding and evolve a programme of action designed to meet the common purposes of economic advancement laid down in the Charter. To that end, every opportunity should be seized to strengthen the organs of the United Nations as well as to develop and improve its channels of co-operation with other international bodies. Perhaps one of the most important steps would be to revise and enlarge the membership of the Economic and Social Council so as to achieve a more equitable geographical representation. His delegation would also watch with interest the development of the experiment of holding Council meetings at the ministerial level. As for co-ordination of United Nations activities with those of other international bodies, his delegation hoped that close contacts could be arranged with the new International Development Association, IBRD, and IMF, for every means should be employed to ensure that their activities were mutually complementary. As the activities of the Special Fund became more extensive, it should be possible to co-ordinate all forms of mutual aid in the fields of pre-investment and of industrial and economic development.

20. The Irish delegation was convinced that it was only along such lines that real progress could be made towards those goals written into the Charter which all countries were pledged to achieve.

21. U HLA MAUNG (Burma) stressed the great change which had taken place in the thinking of the peoples of under-developed countries, to whom political independence had brought, for the first time, the determination and the opportunity to win the battle against poverty. That change had been accompanied by an unprecedented awakening of the conscience of the more advanced nations, some of which had voluntarily renounced, without a drop of blood being shed, their former control over the natural riches of vast areas of the world, and all of which had agreed on practical measures of assistance to the under-privileged peoples

such as the establishment of the United Nations technical assistance programmes and the institution of bilateral assistance programmes. However, after ten years of effort, the international community had to face the fact that, despite that twofold revolution in outlook, the rich were in fact getting richer and the poor poorer. The search for a solution to that paradoxical situation was a sacred task for all mankind, a task for which both the under-developed countries and the advanced countries bore a responsibility. While by far the greater effort must come from the under-developed countries, those countries would not be able to tackle the heart of the problem without sustained assistance from the nations which possessed the technical and financial means to accelerate the economic development of the under-privileged countries so that the increase in their production overtook and later outstripped the rate of population growth.

22. The effort of the under-developed countries must consist, above all, of putting their own house in order and then of mobilizing all their national resources. Those States would only, in fact, be able to develop their economy in so far as they succeeded in establishing a degree of internal political stability. That meant not only putting an end to the internal strife which plagued certain countries, but also creating a democratic climate and inculcating a sense of responsibility in the population as a whole. Some countries accepted foreign aid in securing such internal political stability, while others did not. Whatever the merits of either attitude, stability had to be restored and it had to be done by the countries concerned themselves.

23. With regard to the mobilization of the human resources of the under-developed countries, it was clearly not labour which they lacked, but skilled technical and administrative personnel. Despite the admirable and effective efforts being made under the United Nations technical assistance programmes, the bilateral aid programmes and the Colombo Plan to train administrators, technicians and skilled workers for the under-developed countries, there was still a wide discrepancy between needs and achievements. With respect to training, the advanced countries bore a greater share of responsibility than the under-privileged countries, and far more funds should be made available to the United Nations technical assistance programmes than had hitherto been the case.

24. The mobilization of the material resources of the under-developed countries was also, in the initial stages, largely a matter of technical assistance. In order to carry out the pre-investment studies and all investigations needed for the conversion of a country's natural resources into utilizable wealth, technical knowledge and funds were required, and those could only come from outside sources. The Special Fund had done useful work in that field, but it could do infinitely more if its resources were greater. Further, too much importance could not be attached to economic planning and the use of the technique of economic forecasting for all the countries interested in development. Yet it was clear that none of those countries had the necessary technical and financial resources to prepare, by its own efforts, a realistic plan of development based on the assessment of all its resources. All those facts went to show that there was an extremely close connexion between technical assistance and the mobilization of the resources of under-developed countries: the greater those countries' awareness of

their own responsibilities, the more urgent the need to extend the scope and volume of technical assistance.

25. But technical assistance was not an end in itself; it was but a means to an end, the end being a substantial increase in the production and national income of every under-developed country. That meant that technical assistance would have to be accompanied by financial assistance. If the latter assistance did not keep pace with the former, the under-developed countries might have more technicians, experts and other trained personnel than they could employ, a state of affairs which had in fact already occurred and which might have disastrous effects on the morale of the personnel, on the political stability of the countries concerned, and on the level of living of their population. The importance of that problem was recognized in Article 55 of the Charter, and if the developed nations did not mobilize all their resources to promote a massive increase in the production and income of the under-developed countries, they would be failing in their duty as Members of the United Nations. Moreover the frustration of under-developed countries which did not receive the necessary financial assistance would be increased by the fact that, as a result of the technique of economic projections which technical assistance could place at their disposal, they could now see in specific terms what their economic potential was. Their vague aspirations of the past were thus transformed into realizable ambitions: if those were frustrated, the political stability of the whole world would be shaken. It could therefore be said that the greater the effectiveness of programmes of technical assistance, the greater the urgency to grant the under-developed countries the financial assistance which alone could enable them to realize the hopes which technical assistance gave them. So great was the urgency of the problem that it was not possible to wait until disarmament had been achieved before making an attempt to solve it. Furthermore, as the representative of India (661st meeting) had pointed out, the situation would be met if the industrialized countries, whose national incomes were increasing by \$40,000 million to \$50,000 million a year, set aside 1 per cent of their national income each year for the capital development of the under-developed countries. It was not resources which were lacking, but the will to act. To those who asked whether the under-developed countries were ready to mobilize all their financial resources to match any vast programme of foreign capital assistance, the answer would be that some were ready and some were not, but that the example of the former would soon inspire the latter, provided that they were supplied with all the technical assistance they needed.

26. Most of the under-developed countries now recognized that private capital, both domestic or foreign, could play a part in their economic development, and had taken practical steps to encourage that kind of investment. Some countries, such as Burma, favoured the method of joint ventures in which government capital and that of foreign investors were associated. Nevertheless, there were limits to the contribution which private capital could make to the economic development of a country. On the one hand, the holders of private capital would not be interested in non-productive investment and, on the other, in most of the under-developed countries public utilities had long been operated by the State so that it would not now be desirable to return them to private enterprise. It would

seem, therefore, that private capital could play a part only in the development of manufacturing industries. But that very fact meant that private investors could not make a large-scale contribution to the expansion of under-developed countries, since experience proved that they invested only in the manufacturing industries of countries which were already beyond the first stages of economic development. Hence, the under-developed countries were obliged to rely mainly on direct financial aid from Governments.

27. Lastly, if the under-privileged countries were to be able to mobilize all their resources for economic development themselves, their economic situation must be fairly stable and that depended on the stability of their export trade. That was why it was so important to take all the necessary steps to prevent price fluctuations in primary commodities and to halt the deterioration in the terms of trade to the detriment of the under-developed countries.

28. The advanced countries had, then, to make an immense effort to help the under-developed countries to reach the take-off stage in their economic development and that effort, which must include financial as well as technical assistance, had to be made immediately.

29. Mr. AKYAMAC (Cyprus) first expressed his sincere gratitude to all the delegations which had welcomed the Republic of Cyprus to the United Nations and acknowledged his country's indebtedness to Greece and Turkey for their constructive handling of the question of Cyprus and to the United Kingdom for its realistic attitude in the matter.

30. The emergence of new States followed a uniform pattern: the struggle for independence was succeeded by the fight against under-development. While the admission of seventeen new Members to the United Nations was in itself an outstanding political event, the world was nevertheless still divided into industrial and under-developed countries. Fresh difficulties appeared to lie ahead for the latter countries, for which the terms of trade were becoming increasingly unfavourable. At a time when they should be increasing production, the demand for their products was slackening and, while primary commodity prices continued to fall, the unit price of manufactured goods had risen. If that dangerous trend continued, the under-developed countries would be unable to contribute to their own development at the same level as in the past, a fact which might produce a sense of frustration and eventually lead to economic chaos. It was urgently necessary, therefore, to free those countries from the adverse effects of fluctuations in commodity prices and to guarantee them a steady market. He hoped that the studies undertaken in that field would soon bear fruitful results.

31. Despite the difficult situation, Cyprus was not discouraged in its task of economic development; first, its people and its Government were determined to do everything possible to achieve an early take-off in economic development, and secondly, growing acceptance of the idea of economic interdependence made it easier to share the burden of industrialization with the international community. The industrial countries were becoming increasingly aware of their responsibilities in the development of economically backward countries and that awareness had culminated in the

establishment of several international financial and monetary institutions and programmes of assistance.

32. The Republic of Cyprus had in fact no alternative but to strive for an early take-off in economic development. In the past twenty years it had benefited twice from consumption booms, one during the Second World War and the other in the years preceding independence. On each occasion, government spending had increased considerably as a result of military requirements and there had been full employment for a period of years. Personal earnings and private savings had increased substantially. Unfortunately, only a negligible fraction of those savings could be invested in industrialization, as the economic policy then pursued was not conducive to capital investment. Imports had risen considerably and consumer goods had flowed into the country without regard for the balance of trade. It had been the responsibility of the United Kingdom Government to deal with the problem of the deficit and the measures taken had naturally been in accordance with the general trend of its colonial economic policy. While those booms had had a negligible effect on economic development, they had brought welcome benefits in the social and administrative fields. Considerable progress had been made in extending health services and primary and secondary education and, despite the disturbances, an effective administrative and judicial system had been established. Thus the standard of living attained was completely out of line with the virtually stagnant economy. It was inconceivable, however, to arrest social progress, and an economic basis had to be built up without delay to support the progress already made. Moreover, the abnormality of the situation had been accentuated after the conclusion of the Zurich and London agreements. There had been a sharp recession in employment and commercial activity and, soon after independence, unemployment had reached a high level.

33. One of the first measures enacted by the House of Representatives, the central organ of the Republic of Cyprus, had been the appropriation of a sum approximately equivalent to \$1.5 million for a development programme to check temporarily the dangerous trend of unemployment. However, only sound investment under a programme drawn up after a careful study of the island's potentialities could solve the economic problems of the Republic. In addition to the central Government, two public agencies played a part in the country's economic affairs: the Communal Chambers of the Greek and Turkish communities, which under the Constitution were responsible, *inter alia*, for all educational and cultural matters and for the supervision of the producers' and consumers' co-operatives and credit establishments of their respective communities. The producers' co-operatives had assumed particular importance and in fact it was through them, and the Central Co-operative Bank to which they were affiliated, that agricultural credit would be channelled. As 42 per cent of the island's economically active population were engaged in agriculture, the two Communal Chambers would play a major role, alongside the Government and private investors, in the economic development of Cyprus. Therefore pre-investment activities were particularly important in his country and an economic survey mission working under the auspices of the United Nations technical assistance programme was at present in Cyprus to study, in conjunction with an economic advisory board of the Government, the island's potentialities in the following fields: development of small industries and industrial

diversification; development of water resources; mining; tourism; and agriculture. The findings of that mission would be of invaluable assistance to the Government when it came to plan the country's development.

34. For its economic development, Cyprus, like all other under-developed countries, needed technical and administrative experience and capital to finance its development projects. Commendable work had been done through the Expanded Programme of Technical Assistance, the Special Fund and the OPEX programme in paving the way for sound investment, and Cyprus had to rely on those programmes and on other United Nations specialized agencies to make good its deficiencies in that field.

35. He was glad to note that the flow of public capital into the under-developed countries had steadily increased over the years. The total amount was, however, inadequate in view of the immensity of the task ahead and the large number of countries which had attained, or would soon attain, independence. In that connexion, the establishment of the International Development Association and the Inter-American Development Bank had been most welcome. The existence of the former should not, however, be allowed to prevent or delay the establishment of a United Nations capital development fund. On the contrary, a capital development fund could usefully complement IDA, if its activities were directed to somewhat different areas.

36. Although it preferred to receive assistance from international or multilateral sources, his Government would welcome bilateral assistance on the basis of

freely negotiated agreements. Private foreign capital could also be invested in his country. It was not yet known what incentives would be offered to foreign investors, since Cyprus had not as yet any legislation on that subject. Consideration of the matter by the House of Representatives would, however, be given high priority. In view of the great and urgent need for capital, it was desirable that the wealthy industrialized countries should allow or even encourage the flow of private capital into the under-developed countries. It would, of course, be ideal if foreign capital investment could be channelled into the sectors most likely to promote the development of the recipient countries.

37. The general discussion on the world economic situation had enabled his delegation to appreciate both the importance and the magnitude of the task facing the United Nations in helping the under-developed countries to achieve a degree of economic development which would set them on the road to prosperity. Attention was at present naturally focused on African countries since, of the seventeen new Members, only Cyprus was outside the African continent. While the development of Africa warranted the Organization's major attention, it was to be hoped that it would not lose sight of the situation in other countries such as Cyprus which, like the African countries, also suffered from under-development. His delegation hoped, therefore, that the United Nations and its specialized agencies would give due consideration to the economic development of Cyprus and would take a favourable view of its requests for assistance.

The meeting rose at 12.40 p.m.