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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. RAKOTOMALALA (Madagascar) paid a tribute to the high quality of the reports in which the Secretary-General had surveyed the world economic situation and said that he would limit himself to expressing his delegation's views on international aid to under-developed countries.

2. Many representatives of African and Asian States had pointed out the inadequacy of the aid provided to States which had attained independence in the past five or six years; the Philippine representative had recalled that that assistance represented only about 2 per cent of total international aid. However, no bitterness should be felt about that fact, for aid to under-developed countries had become one of the fundamental precepts of international morality. The privileged countries should help the poor countries, for the continued existence or deepening of the immense gap separating them was very dangerous for peace.

3. His delegation's views on that question remained the same as those which Mr. Tsiranana, President of the Malagasy Republic, had expressed at the fourteenth session of the General Assembly (620th meeting) speaking on behalf of the French delegation and the French Community. Two means were open to countries which wished to remove themselves from the category of the economically weak; an internal means, or the will of the people to reach a higher stage and to utilize their own resources in a more rational manner; and an external means: aid from the industrialized countries. The Malagasy Republic, which was an essentially agricultural country, far from the great world markets, had to increase and diversify its production and adapt it to the needs of consumers' markets, but above all it had to sell its products at competitive prices, which meant reducing the cost prices. For most products, the costs incurred between the place of production and the market of the purchasing country represented from 60 to 80 per cent of the selling price; therefore, only from 20 to 40 per cent remained for the producer. In order to reduce cost prices it was necessary to build roads, erect dams, fight erosion, plant forests, improve water supply, engage in prospecting, improve rivers and ports and provide farmers with modern equipment, for agriculture represented 80 per cent of the national income. As Mr. Tsiranana had said, Madagascar should give first consideration to the villages and attach primary importance to programmes for small-scale rural improvements, such as irrigation and flood control, the improvement of local roads, and the installation of small electric power plants using low waterfalls. His delegation was therefore naturally interested in the work of the United Nations in the field of industrialization, particularly in the establishment of the Committee for Industrial Development which was to meet for the first time in 1961.

Great attention should also be given to social investments in order to protect the health of the people and to educate the children.

4. The importance of stabilizing world commodity prices could not be overestimated. That point had been carefully studied in the Secretary-General's reports, but it required further examination. It was to be hoped that the group of experts, which the General Assembly at its fourteenth session (resolution 1423 (XIV)) had decided to establish, and subsequently the Commission on International Commodity Trade, would take up that problem. In fact, any effort to increase economic and technical assistance to the under-developed countries would meet with failure if the search for a solution were to be postponed because of doctrinal differences or conflict of interests. Where direct aid was concerned, priority should be given to the industrialization of the under-developed countries; that industrialization would be ensured at first by means of subsidies, then by long-term loans. In his delegation's opinion, the time had come to supplement United Nations pre-investment activities by similar activities in the direct investment field. For that reason, it supported the establishment of a United Nations capital development fund or at least the adaptation of existing bodies for that purpose. However, any efforts made in that direction should lead to a "rapprochement" between the industrialized and the under-developed countries, and not supply additional ammunition for the cold war.

5. Without indirect aid, i.e., without private capital investments, the under-developed countries could not achieve lasting progress. But those investments required an atmosphere of confidence, and therefore the Malagasy Republic had taken legislative measures to guarantee them against abnormal risks and to provide for them a long-term system of taxation which could continue for twenty-five years. In that connexion, there should also be set up, at the international level, full insurance against political risks. In Madagascar investors would find a stable political situation, a population which did not harbour any dislike of foreigners, and the certainty that no nationalization would occur. The possibilities open to them were vast. His delegation thanked the United Nations Secretariat for its promise to send to Madagascar a mission which would study the needs of the country, take an inventory of its resources and draw up a plan on the basis of which, it was to be hoped, a programme of rational aid would be prepared and carried out. That aid would supplement the assistance which Madagascar, as a member of the French Community, had been receiving from France for ten years and from the European Economic Community for three.

6. In conclusion, he stressed the need for undertaking not only spectacular projects but also programmes at the level of the masses.

7. Mr. DOVI-AKUE (Togo) thanked the Committee for what it had done to improve the living conditions of the peoples of Africa and other continents. Since its attainment of independence in 1960, Togo had added its modest efforts to those of other countries to find a solution of the world's economic and social problems. Several representatives had commented on all the aspects of under-development and its fundamental causes, and it was well known that one of the principal tasks of the United Nations—all countries working together—was to seek ways of remedying that situation. The great Powers, thanks to their technical knowledge,

had freed their peoples from want and had assured to them a high level of living; in both the private-enterprise countries and in the centrally planned economies that standard continued to rise. The under-developed countries were in a very different situation; yet they had contributed to the wealth of many industrial Powers, which had procured raw materials from them and had assigned to them the status of permanent markets. The misery, poverty and uncertainty which prevailed in the under-developed countries were a shame to mankind and had to be wiped out. In that respect, it was encouraging to note that all the wealthy countries considered that to be a dangerous situation.

8. The so-called "under-developed countries" could be divided into two categories: first, there were countries possessing an infrastructure which enabled them to carry out development plans, but whose economic progress was hampered by population growth; secondly, some countries had neither an infrastructure nor trained personnel, and their population too was rapidly increasing. The second category represented the most pressing cases, and took in all the countries of Africa South of the Sahara. Their Governments recognized the role of the United Nations in that connexion. Some months after the 1958 elections, Mr. Olympio, the Prime Minister of Togo, had requested the United Nations to send experts to Togo to study all aspects of the country's economy, in order to prepare a rational development plan.

9. As a first step toward economic development, the Togolese Government had undertaken to increase agricultural production; to that end it had organized producers' co-operatives in all the villages and set up agricultural extension services. But the country lacked modern equipment for agricultural production and for the processing of agricultural products. Generally speaking, the African countries needed small manufacturing industries; to introduce them was an urgent task, for those countries were too dependent on the former metropolitan countries for consumers' goods. His delegation drew the Committee's attention to General Assembly resolution 1414 (XIV), inviting the Economic and Social Council to make a study under Article 62, paragraph 1 of the Charter of the United Nations, of all opportunities for international co-operation which could be of interest to the former Trust Territories. Togo would support any proposal to increase technical assistance to the new States and to enable them to carry out the necessary economic programmes. The aim of technical assistance should be to help the Governments concerned to work out long-term plans for economic development. His delegation likewise endorsed the establishment of a capital development fund which would enable the United Nations to intensify its efforts to promote the economic development of the under-developed countries.

10. Mr. BERNARDO (Argentina) said that he proposed to discuss four interrelated questions of major importance in the economic development of under-developed countries: long-term economic projections, the expansion of international trade, the flow of private capital, and the establishment of a United Nations capital development fund.

11. The Secretary-General's preliminary report on the evaluation of long-term economic projections (E/3379) brought out the fundamental importance of such projections as well as the difficulties involved in making them. As the report pointed out, some components

of national economic projections depended on what happened in other countries, a fact that illustrated the interdependence of national economies. Economic interdependence had increased with the return to convertibility of the private enterprise countries and was one of the major difficulties in planning development in the under-developed areas. The less developed countries relied on their export earnings to finance their purchases of capital goods and the level of those earnings was governed by factors beyond their control. Their export income could not be increased without an increase in the demand for raw materials, which in turn depended on the level of economic activity in the industrial countries. For those reasons it was evident that the problem of economic development could not be solved within a purely national framework and that the co-operation of the industrial countries was essential. It should not be necessary to continue to adjust the economies of the under-developed countries to the economic policies of the advanced countries. The reverse should be the case. It was also evident that the problems of economic development in under-developed countries were quite dissimilar from the problems of economic growth in the advanced countries. The under-developed countries had much less freedom of manoeuvre, and their economies, unlike those of the advanced countries, were unbalanced from the start. For that reason, "balanced economic growth", an expression that was frequently used but never precisely defined, would appear to be an unattainable ideal in the under-developed countries. As the Peruvian representative had said, balanced development presupposed resources which the under-developed countries did not possess.

12. The indispensability of long-term economic projections was increasingly recognized by the private enterprise countries. In 1956 the Argentine Government had asked the United Nations for assistance in carrying out a survey of its country's economic development problems, and the survey had been made with the co-operation of several United Nations organizations, including ECLA, which had considerable experience in that field and had published a number of noteworthy studies on the subject. His delegation believed that long-term economic projections were of great importance, especially to the under-developed countries, and had therefore particularly welcomed the adoption of Economic and Social Council resolution 777 (XXX). In view of the accession to independence of many raw material exporting countries, the United Nations should widen the scope of its work on economic projections relating to raw materials so as to provide the countries concerned with data on which they could base their long-term policies for the development of natural resources. The Argentine delegation would be happy to join other delegations in presenting a specific proposal to the Committee on that subject.

13. With regard to the question of so-called family planning raised by the Swedish representative (669th meeting), his delegation regretted that it had to reiterate the fundamental reservations it had expressed in that connexion at the Fourteenth Session (616th meeting). In its view the question was not germane to the debate and was of very minor importance in view of the magnitude of the problem of development. He feared, moreover, that it might bring racial prejudices into play, since the coloured peoples had the highest rate of population growth. He would recall that from a purely technical and economic point of view, high

population density, far from being an obstacle to development, might, as Hirschman had pointed out, be one of the basic conditions for take-off.

14. With regard to the development of international trade, his delegation was surprised that the Secretary-General had studied only trade relations between centrally planned and market economies in the report prepared in accordance with General Assembly resolution 1421 (XIV) (E/3389). As a result, the report was of purely academic interest, as the obstacles to trade between the two groups considered were primarily political and it would be possible to eliminate them as soon as tension between the East and the West was reduced. It would be much more useful to study the practical problems affecting trade between the advanced and the under-developed countries. The prospects for international trade co-operation were not encouraging for the under-developed countries, in particular the Latin American nations. With the establishment of a new organization for European economic co-operation, it seemed likely that there would be new obstacles to the traditional trade of Latin America, in particular Argentina, with Europe. A Latin American Free-Trade Association, which had been conceived as a means of countering the difficulties hampering the development of Latin America, had been set up in the course of the year, and it should be emphasized that the objectives of that association were not the same as those of the European Economic Community. His delegation hoped that it would be possible at GATT's next session to remove the misgivings concerning the new Latin American system which were felt in some quarters, principally, it would appear, as a result of lack of understanding of Latin America's trade problems.

15. The report prepared in accordance with General Assembly resolution 1318 (XIII) on the promotion of the international flow of private capital (E/3325 and Corr.1-3) was commendable, but it was doubtful whether the measures considered would be successful in redirecting the flow of private capital. Private capital always followed, and never preceded, economic development; as could be seen by comparing the amount of United States private capital invested in Canada and in Western Europe with the amount invested in Latin America between 1955 and 1959.

16. His delegation agreed with the Mexican representative in opposing the idea of submitting disputes between Governments and foreign private investors to international arbitration. If that course were followed, foreign investors would be granted a status to which they were not entitled under international law and would be given privileges not enjoyed by national investors.

17. Because of the inadequacy of national savings in the under-developed countries and of the international flow of private capital, recourse to international assistance in the form of public capital was inevitable. As the gap between the advanced and the under-developed countries continued to widen despite the existence of bilateral and multilateral assistance programmes; it would appear that the industrial countries' efforts to assist the less developed areas were either highly inadequate or misdirected. The situation would not improve until there was an international capital development fund on the lines of SUNFED. In that connexion he regretted that the Secretary-General had merely transmitted the replies of Governments to the questionnaire on the early establishment of a United Nations capital development fund (E/3393 and Add.1-4)

to the Council and to the General Assembly, and had not prepared a report on the question, as the General Assembly had requested him to do in resolution 1424 (XIV). Moreover, in his statement to the Economic and Social Council (E/3394), the Secretary-General had in substance said that nothing prevented the United Nations from playing its proper part in the investment field, and that it could play that part without establishing new bodies such as SUNFED. That was not the view of the overwhelming majority of Member States which had supported resolution 1424 (XIV). If the alternatives were the establishment of SUNFED or a new type of assistance programme such as that of OPEX, there was no doubt that the under-developed countries, even those which still believed in the value of the OPEX programme, would choose the former. His delegation did not believe that the existing international credit institutions or the new International Development Association could take the place of SUNFED, since in every case their operations were based on criteria which were not those of an international capital development fund. Moreover, the very multiplicity of multilateral and bilateral agencies providing financial assistance tended to prevent the rational use of the meagre resources available and made the establishment of a United Nations capital development fund even more urgent.

18. In conclusion, he wished to comment on a question which had been mentioned by various speakers, the advantages of adopting one or the other economic system as a means of accelerating economic development. Argentina was not what was called an uncommitted country, and had taken an unambiguous stand in the ideological struggle which divided the world. Nevertheless, while considering themselves heirs of Western culture, his countrymen felt no hostility towards the East and respected its cultural values. For Argentina economic development could not be an end in itself; development must be part of a cultural whole of universal value. The fact that some countries which had adopted the socialist system had made considerable economic progress did not prove the validity of historical materialism, for it was the quasi-religious faith and fervour which the peoples had brought to their task, much more than the economic system itself, that had enabled that progress to be made. In any event no system could be described as purely socialist or purely capitalist and it did not seem essential to adopt the socialist system as a means of solving the problem of under-development. But the capitalist system was also unsatisfactory, and the Western countries, while not changing their way of life or fundamental convictions, must show boldness and imagination if they were to build a new technological civilization preserving the traditional patterns of their culture. The narrow approach of the capitalist entrepreneur could not solve the problems of under-development. The industrial countries bore the heaviest responsibility, but the small nations also had a significant part to play, for they could further co-operation between the different systems and provide them with new common ground. Member States should seek not merely to co-exist but to live together as neighbours and to co-operate in a fruitful common effort through the United Nations.

19. Mr. PAYNE (United States of America) said that some statements had resulted in obscuring the situation with regard to private investments in under-developed countries. He therefore wanted to set the

record straight about United States private investments in other countries, which at the present time amounted to more than \$30,000 million. The representatives of several countries with planned economies had said that the sole motive of private investors was exorbitant profit; they had also said that private investors were not interested in under-developed countries, but preferred to invest in the industrial countries. Those two statements contradicted each other because if private investments were bad for the beneficiary countries, there was reason to wonder why the industrialized countries accepted such investments so readily. While it was true that the preponderance of private investment flowed to the economically advanced countries, that was not because of the likelihood of exorbitant profits. The reason was rather that investors sought reasonable earnings under conditions of relative stability. It was regrettable in that regard that statements by the representatives of some Governments had resulted in inhibiting the growth of confidence which was a prerequisite to further investment. The sometimes hostile actions of Governments also did incalculable damage to the flow of private capital that was so beneficial to the growth of the under-developed countries. In any event, private investment was contributing to the economic advancement of many under-developed countries without the slightest infringement of their sovereignty. The contribution, for example, of United States private investment to the economic well-being of such developing countries as Canada and Mexico was a matter of record. The experience of IBRD proved that private investors were seeking only reasonable security and normal earnings, for the Bank had had no difficulty in selling its bonds to investors. The private capital thus mobilized could assist in the development of the under-developed countries without any conditions being imposed on those countries, and it would bring only modest financial returns.

20. One representative had completely distorted the facts with respect to United States private investments in Latin America. According to the United States Department of Commerce, United States companies had, since 1950, invested \$5,000 million in Latin America. That figure included both investment in the true sense and reinvested profits. By the end of 1959, cumulative United States private investments in that area had had a book value of \$8,200 million. Of that amount, about \$3,000 million had been invested in the petroleum industry, \$1,400 million in manufacturing, \$1,300 million in mining and smelting, and \$1,100 million in utilities. It was also interesting to note that manufacturing investments had kept up at a steady pace of \$120 million to \$130 million a year. Contrary to certain allegations, United States investors were interested in infrastructure projects, as was clear from the fact that public utility enterprises had been expanding at a higher rate since 1955 than in earlier post-war years.

21. An analysis of the contribution of the various broad categories of private investment to industrialization and general economic development was apt to be misleading. The petroleum category, for instance, comprised not only the process of extracting the crude product but also refining, transport and distribution as well as ancillary industries. The same was true of investment in mining. It could not, therefore, be alleged that investments in the extractive industries made a lesser contribution to industrialization and



general economic development than investments in manufacturing.

22. Some representatives had completely distorted the facts in referring to exorbitant profits on private investments. They had, to that end, frequently cited a fictitious profit percentage by relating one year's earnings by United States private investments to a single year's investments. It was obvious, however, that the rate of profit must be computed in relation to the total, cumulative investment; in other words, what must be considered was the earnings in one year on all capital invested in the course of many years. In that sense, the earnings for all United States direct investment in Latin America for 1959 had been \$800 million on a total cumulative investment of \$8,200 million.

23. Private foreign investors were often accused of making profits without giving anything. The example of United States enterprises established in Latin America demonstrated that that was not so. In 1957, a year for which detailed figures were available, United States investments in that region had produced the following results. Firstly, the commodities sold and services provided by United States enterprises had represented \$7,500 million and thus constituted a substantial share of the total economic activity in the countries of the region. Of that figure, exports from Latin America represented about \$3,000 million, corresponding to one-third of the aggregate export trade of the countries concerned. Secondly, the enterprises in question had enabled those countries to realize a net gain of \$1,000 million on their transactions with the United States, after deduction of imports and remittances of fees. Thirdly, the production in Latin America of manufactures, fuels and other commodities had resulted in important savings of foreign exchange for the under-developed countries in the area. Local sales by United States companies had amounted to \$4,500 million. Fourthly, local outlays by those companies had amounted, as it had every year, to more than \$5,000 million, including \$2,600 million for the procurement of materials and services, \$1,300 million for wages and salaries, and more than \$1,000 million in payments to Governments for direct and indirect taxes. The proportion of total government revenues which countries of Latin America had received directly from United States enterprises had been about 20 per cent. Last but not least, United States enterprises in Latin America employed one million persons.

24. It was accordingly clear that United States private investment contributed much to the well-being of the people of Latin America. That remark also applied to other under-developed areas. Those who attacked private investment were not interested in protecting the under-developed countries. Those countries, as the representative of India had pointed out (661st meeting), needed both public and private capital. It would be observed, in that connexion, that the bulk of public assistance to the under-developed countries came from countries with free enterprise economies. The United States believed that foreign investment would continue to be a factor in the economic development of the under-developed countries and would grow substantially in importance.

25. Mrs. LINDSTROM (Sweden), speaking under rule 116 of the rules of procedure, said that she was surprised at the Argentine representative's criticism that the Swedish delegation had exaggerated the im-

portance of the population question and that the latter was merely a secondary aspect of economic development.

26. In her view, the population question was a very important factor in economic progress. Sweden did not object to the fact that the population of all countries was increasing. It realized, however, that while normal population growth might help to raise the level of living, an excessively high birth-rate would retard economic development. Each family must therefore be free to adopt the solution which it considered appropriate. The question was a practical one that had nothing to do with ideology or morality. It was a matter solely of the health and economic well-being of the family and the nation. It was for that reason that she hoped that the General Assembly might allow a free discussion of the matter at its next session.

27. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic), exercising his right of reply, said that the United States representative's statement on foreign capital investment had not refuted the arguments put forward by his delegation at the previous meeting. The United States delegation maintained that the return on investments in a particular year should not be compared with the investment made in that year and that the total cumulative investment should be taken into account. According to the report of the Secretary-General on the international flow of private capital 1958-1959 (E/3369), however, the total amount of foreign private capital invested in the oil industry in the Middle East had amounted to \$2,100 million in 1958, and the profit derived from that investment had been \$1,269 million. It was obvious that capital invested in the oil industry in the Middle East was amortized in less than two years.

28. Mr. GEORGIEV (Bulgaria), speaking under rule 116 of the rules of procedure, asked the United States representative whether he denied that the motive of private enterprises was to earn the greatest possible profit in a given situation.

29. With regard to the Swedish representative's statement, it should be pointed out that the reasons for rejecting the idea of birth control were not religious or ideological but the fact that the idea was economically unsound.

30. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) said that he proposed to answer various questions that had been asked but would make no attempt to reply to the criticisms that had been made regarding the composition of the Secretariat, as that subject had already been discussed by the Secretary-General in the Fifth Committee (769th meeting).

31. Stressing the importance of the Second Committee's discussions, he said that they had over the years played a large part in bringing about a common approach to international economic problems. The Committee was no longer faced with the fundamental ideological differences that had existed five or six years earlier in regard to such problems as commodity price stability, the importance of international assistance through the United Nations, the accelerated industrialization of under-developed countries, and the importance of programming and planning in the economic policies of under-developed countries. Although, as had been apparent during the discussion on the flow of private capital, the gap between the positions of the various countries was still substantial in a few areas,

it was true to say that the existing common ground could provide a basis for more decisive international action on a larger scale than that at present being carried out through the United Nations.

32. The Secretariat had contributed to that progress by consistently providing documentation which it had tried to make objective and scholarly and as comprehensive as its resources permitted. That documentation had been the nucleus around which the debates had been organized. All the comments made on the subject were being taken into account by the Secretariat, which would spare no efforts to improve the documents produced. It was significant that the documentation was regarded in all countries as a reliable source of information, the integrity of which was not questioned.

33. A number of problems arose in connexion with analyses of the world economic situation. The Secretariat proposed to study certain essential problems of growth or economic stability which were common to all economies or which differed in accordance with stages of development or forms of social, economic and political organization. It had never tried to put forward a theory that economic growth would proceed independently of historical circumstances and forms of social organization. It was for that reason that the various categories of countries—industrial, under-developed and centrally planned economy countries—were normally considered separately in the World Economic Survey. The term used to designate that last category had been criticized but, although the terminology used was certainly not absolutely satisfactory, it would be difficult to devise better. The important thing was that the exact significance of the various terms should be clear.

34. There was no country, however large its resources, that could afford to disregard the problem of maintaining a balance between consumption and investment. That explained the growing interest of the centrally planned economies in data which could facilitate decisions regarding the optimum allocation of resources between various investment projects. It also explained the interest taken by all countries in an optimum international division of labour. In the World Economic Survey, 1957,<sup>1/</sup> the Secretariat had studied inflationary pressures in the three categories of countries. The World Economic Survey, 1958<sup>2/</sup> had analysed the relationship between investment and growth in the categories of countries he had mentioned. Various representatives of centrally planned economy countries had expressed objections regarding the comments on such problems of balance or imbalance. It was possible that the Secretariat had made mistakes, but it had consistently distinguished between the problems of that kind experienced in the private enterprise and the centrally planned economies, just as it had always attempted to analyse the different forms the problems took in the developed and the under-developed countries. The Secretariat's analyses were based on statements by a great many national leaders as well as on official statistics. One striking fact was that academic economic analysis in the various parts of the world was tending to proceed along converging lines. There appeared to be a tendency in the centrally planned economy countries to attach increasing importance to micro-economic problems while at the

same time in the private enterprise countries interest was concentrated on macro-economic studies and was being expressed in a great many governmental programmes. It would seem useful to draw attention to the similarities of approach as well as to any differences which might continue to exist, as the development in that connexion might be of real importance in the field of international economic co-operation.

35. In view of the admission to the United Nations of a great many newly independent African countries, it was natural that the functions of ECA had received considerable attention. He would like first to correct a mistake concerning the recruitment of officials for the Secretariat of ECA. Thirty-five of the total of fifty posts provided for in the budget had been filled; nine officials had been recruited but had not yet joined the Secretariat, and it was considered likely that some of the six remaining vacancies would be filled before the end of the year. As regarded the role of ECA, the Secretary-General had from the beginning planned to take advantage of the fact that the Commission had been established late in the day and could thus draw on the experience of the other Commissions to make it as effective as possible and prevent it from becoming a centre of relatively academic studies.

36. The importance of the regional approach in the field of economic co-operation and technical and financial assistance was universally recognized, and every effort had been made to enable ECA to play the most active role possible consonant with the present limitations of staff. Very great progress had been made in that direction in the course of the year. The Executive Secretary of ECA had played an important part in drawing up technical assistance programmes and in selecting projects eligible for Special Fund assistance. He had also recently visited five countries in West Africa and discussed with their Governments what initial programmes of technical assistance might be undertaken by the United Nations. With regard to training programmes, increasing use was being made of the Executive Secretary in selecting candidates to be sent for training abroad. A number of regional projects had been prepared within ECA. The programmes represented nearly 10 per cent of the total, and that percentage might usefully be increased. In more general terms, ECA was strategically placed for determining African requirements in the field of co-operation and assistance and for considering in what ways the resources of various United Nations bodies providing assistance could be drawn upon. The fact that the Bureau of Technical Assistance Operations had become part of the Department of Economic and Social Affairs made it easier for the Secretariat to devolve a substantial part of its technical assistance activities upon the regional economic commissions.

37. A number of interesting comments had been made with regard to the flow of private capital. It was hardly surprising that delegations had in many cases had some difficulty in distinguishing between the different documents submitted under the various resolutions adopted by the Economic and Social Council and the Assembly. The report on the promotion of the international flow of private capital (E/3325 and Corr.1-3) discussed measures to increase the flow of private capital and contained no statistical material. The report on the international flow of private capital, 1958-1959 (E/3369) was an annual statistical report that supplemented the more comprehensive triennial report for

<sup>1/</sup> United Nations publication, Sales No. 58.II.C.1.

<sup>2/</sup> United Nations publication, Sales No. 59.II.C.1.

the period 1956-1958. The next triennial report was to be submitted to the Council in 1962. There appeared to be a need for rationalizing the documentation prepared in response to the decisions taken by the different bodies. The Council had made a recommendation to that effect at its thirtieth session.

38. Some delegations had expressed the view that the report on the promotion of the international flow of private capital should be particularly concerned with sectors in which foreign investment would be of particular advantage to the economy of the recipient country, and with the forms in which such investments could most suitably be made. It was not easy to formulate definitive conclusions in the matter, but it should be noted that the report did deal to some extent with the preferences expressed by Governments in regard to the sectors in which they hoped private capital would be invested. It was likely that the Secretariat would obtain further information on that question as a result of the questionnaire to Governments which it was at present circulating. The report was provisional, and the Secretariat would no doubt be in a position to provide more specific information in the final report.

39. Various delegations appeared to be under the impression that the Secretariat had recommended an arbitration body, such as a tribunal. That was a mistake. In the light of the discussion of the subject at the Council's twenty-ninth session and the survey by the Secretariat, it appeared that the best course in the present situation would be to establish a panel of arbitrators under the auspices of the United Nations Secretariat to which Governments could, if they so wished, apply. If a panel of legal experts of world reputation could be established, certain Governments might perhaps find it possible to include arbitration clauses in their assistance agreements with other countries and in their contracts with various non-government bodies. The survey was still in progress, and the Secretariat had not recommended any final solution.

40. A number of delegations had drawn attention to gaps in the reports on private capital. The role of private capital in industrialization was a subject that might be dealt with in special studies. It would, however, seem difficult for the Secretariat to make a study of the contracts or agreements between certain Governments and certain companies in the extractive industries, as the necessary information was not in the public domain. It seemed unlikely that the Secretariat could play a useful part in that matter.

41. It was gratifying that so much interest was being taken in the flow of public capital to the under-developed countries. Governments recognized the need for co-ordinated action in the field of international assistance, and such action must be based on comprehensive and well prepared documentation. The Secretariat would welcome an opportunity to make a useful contribution to such action. With regard to the report of the Secretary-General on international economic assistance to the less developed countries (E/3395), it had been suggested that the inflow of public capital should be assessed on a net rather than on a gross basis. It should be noted that section I of the report contained data on the gross inflow of capital and on loan repayments. The net inflow could therefore readily be calculated. The question had also been raised whether interest payments should be deducted, which might be a controversial issue. With regard to

the problem of foreign currency, document E/3395 discussed the difficulties faced by under-developed countries as the result of increasing foreign indebtedness and their diminishing capacity to assume further foreign obligations.

42. A number of comments had also been made regarding the evaluation of agricultural surpluses. It had been suggested that agricultural surpluses and other gifts in kind included in foreign aid programmes might be valued at less than the market price. While it would clearly be difficult to secure agreement on a definition other than that adopted by the Secretariat, the latter would gladly go into the matter in consultation with the delegations that had raised the question.

43. In the case of assistance classed as "defence support", the problem was to decide whether the beneficiary countries would be forced in the absence of such aid to reduce their defence expenditures or to curtail their development expenditures. An effort would have to be made to answer that question in the course of subsequent studies, with the assistance of the delegations interested in the problem.

44. He had been surprised by the comments concerning the Secretary-General which had been made in connexion with the establishment of a capital development fund. The Secretary-General had never been asked to take a definite stand on that much debated question. In any case the statement referred to by the Argentine representative appeared adequately to indicate the Secretary-General's position with regard to international aid. Substantial progress had been made in the field of international assistance. In that connexion he referred to the Indian representative's suggestion (661st meeting) concerning a 1 per cent tax for the benefit of less developed countries. That suggestion could lead to substantial progress towards the idea of an international budget. In the same connexion he noted that at the fourteenth session the Indian delegation had raised the question of determining the over-all prospects for world economic development. As a result of the Indian representative's suggestion to the Committee (614th meeting), steps had been taken, although still on a very modest scale, to determine what progress could be made in that connexion with a view to ensuring the balanced development of the world economy, taking into account the aspirations of the less developed countries. It seemed likely that both forms of action could be taken simultaneously and that they would represent a great advance in the field of international assistance.

45. The Argentine representative had expressed surprise that the Secretariat document on international trade co-operation (E/3389) had discussed only half of the problem, trade relations between the private enterprise industrial countries and the centrally planned economies, and had neglected the other half, trade relations between the developed and the under-developed countries. The criticism was justified, but the only reason why the Secretariat had not made a comprehensive study of the question had been the lack of resources and time.

46. Mr. HASSAN (Sudan) said that United Nations documents were extremely valuable to the African countries as a source of the necessary data for the formulation of their economic policies. He welcomed the information given by the Under-Secretary for Economic and Social Affairs on the staffing of ECA

which was a most important body because it provided opportunities for consultation and promoted understanding among the countries of the region. Its influence should not, therefore, be underestimated, and it was to be hoped that the Secretary-General would make it as effective as possible.

47. He proposed that the statement by the Under-Secretary for Economic and Social Affairs should be published and circulated as a document.

*It was so decided.*<sup>3/</sup>

48. Mr. SERBAN (Romania) said he was sorry that the Under-Secretary for Economic and Social Affairs had not replied to the criticisms of the composition of his Department which had been made in the Second Committee, because the members of that Committee did not know in what form the matter had been raised and discussed in the Fifth Committee. The question of the composition of the Department had been brought up in the Second Committee because the structure of the Secretariat was obviously out of line with the trend of international events. As the wheel of history could not be turned back, the work of the Secretariat must be adjusted to international developments, in the interest of all Member States. It was not a normal situation for 185 posts at the professional, principal officer and director level to be held by nationals of twenty-four Western countries, while only 102 such posts were held by nationals of seventy-five socialist and uncommitted countries. The United States alone had seventy-one posts in those categories. Of twenty posts at the director (D-2) level, fifteen were occupied by staff members from countries of the North Atlantic Treaty Organization, and none had been given to staff members from Africa or Latin America. Taiwan had twice as many staff members as the African countries, a situation which was contrary to the stipulation in the Charter that the staff should be recruited on as wide a geographical basis as possible.

49. There was no desire to cast doubt on the integrity of staff members, but it must be recognized that no one was omniscient and that a staff member from one area of the world was not as capable of appreciating the problems of another area of the world as men and women who had been born there and lived there all their lives. They were even less capable of understanding the aspirations of peoples whom they did not know. Economic theories certainly varied widely at the present time, and the facts were subject to many interpretations. Until comparatively recently, economic planning had been regarded as a subversive idea. Yet Mr. Myrdal, former Executive Secretary of ECE, had emphasized that all the consultants sent to under-developed countries had recommended those countries to plan their economies. As, however, the majority of staff members in the Department of Economic and Social Affairs came from Western countries, the Department could not operate in the interests of the majority of Member States. Steps must be taken to remedy that situation; the confidence of Member States in the Secretariat must not, like the wild ass's skin of Balzac, be allowed to shrink until it vanished together.

50. Mr. GEORGIEV (Bulgaria) said that no one questioned the good faith and professional qualifications of

Secretariat staff members. What was at issue was their general outlook and intellectual training; the latter corresponded to their national origin with the result that their minds were open to some ideas, but not to others. If that had been an unimportant matter, there would have been no provision in the Charter relating to the equitable geographical distribution of posts. All parts of the world should be represented in the Secretariat, not only in physical terms but in terms of their own ideas, and those ideas should have scope for expression. It was necessary to ensure that the Secretary-General and certain delegations did not give other delegations grounds for questioning the good faith and qualifications of the Secretariat. That was why the necessary steps must be taken to bring composition of the Secretariat into line with the trend of international events.

51. He was glad the Under-Secretary for Economic and Social Affairs had recognized that some United Nations documents had defects and had conceded the need to take account of the differences between the economic structure of the socialist countries, the under-developed countries and the capitalist countries. But it was not merely a question of applying different terms to the different types of economy; it was also necessary to realize that the difference in terms reflected a difference in scientific approach. For instance, the question of the rate of investment in the different sectors of a socialist economy could not be treated in purely quantitative terms or in the manner the same theme would be studied in relation to the economy of a private enterprise country. If the Secretariat was to be able to take full account of the outlook of socialist and under-developed countries, it must have a sufficient number of staff members from those countries.

#### Organization of the Committee's work

52. The CHAIRMAN proposed to defer until 28 November the beginning of the general debate on the second group of items, which were contained in agenda items 28, 30, 31 and 32 of the General Assembly. He also suggested that the Committee should fix Monday, 14 November, as the time-limit for the submission of additional draft resolutions on agenda items 12, 29 and 74 to the Committee secretariat.

*It was so decided.*

53. The CHAIRMAN proposed that the Committee should take up the draft resolutions in the order in which they had been submitted.

54. Mr. LYCHOWSKI (Poland) thought that the Committee might deal simultaneously with drafts relating to the same subject; for example, those circulated as A/C.2/L.461 and A/C.2/L.466, and those circulated as A/C.2/L.472 and A/C.2/L.474.

55. Mr. DUDLEY (United Kingdom) thought that drafts A/C.2/L.461 and A/C.2/L.466 had little in common. His delegation, which had submitted the former, would not, however, object to its being considered in conjunction with the latter but asked that its own draft resolution (A/C.2/L.461) should be put to the vote before the draft declaration submitted by the USSR (A/C.2/L.466), if in fact the latter was voted on.

56. After an exchange of views in which Mr. WOULBROUN (Belgium), Mr. DUDLEY (United Kingdom), Mr. CHERNYSHEV (Union of Soviet Socialist Repub-

<sup>3/</sup> The verbatim text of the statement made by the Under-Secretary for Economic and Social Affairs was circulated as A/C.2/L.479.



lics) and Mr. ABDEL-GHANI (United Arab Republic) took part, the CHAIRMAN proposed that drafts A/C.2/L.461 and A/C.2/L.466 should be taken up together, that draft resolution A/C.2/L.461 should be put to the vote first in accordance with rule 132 of the rules of procedure, and that the other draft resolutions should be taken up in the order of their submission, the Com-

mittee leaving itself free to take a decision on draft resolutions A/C.2/L.472 and A/C.2/L.474 at a later stage.

*It was so decided.*

The meeting rose at 6.35 p.m.