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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. STEWART VARGAS (Uruguay) said that he interpreted the appeal for international co-operation made in the United Nations Charter as an introduction of the notion of equity into international economic life and a revitalization of the goal of equitable commercial treatment laid down in the Covenant of the League of Nations. However, the economic policies actually pursued by the United Nations were at variance with that appeal, for they were based on the idea of equality of treatment rather than equity. The Organization's economic policies proceeded from the assumptions that the world was divided into developed and under-developed countries, that economics was a science with laws which could be systematically applied, that the most fundamental assistance which could be given the under-developed countries was to teach them how to develop themselves, and that aid in the form of capital was absolutely necessary for development.

2. Those assumptions must be modified if the United Nations action in the economic field was to be effective. Political economy was not a science; economic events did not repeat themselves unvaryingly, like the events which were the subject matter of science, and therefore no eternally valid economic laws could be laid down. It followed that the dogmatism so characteristic of economists, and the belief in magic formulas applicable to economic life, must be discarded. It was also necessary to abandon both the erroneous belief that the under-developed countries did not develop their economies because they did not know how to, and the consequent emphasis on technical instruction. Technical assistance could undoubtedly accelerate development, but it could never set it in motion. Industrialization, which was the basis of all development, required markets and when markets were available the process would begin spontaneously. Until that stage was reached, technical assistance was of no use, as was clear from the economic history of the United States and the developed countries of Europe, which had industrialized themselves without benefit of technical assistance, because the conditions for industrialization—the existence of abundant raw materials, cheap labour, and a world-wide market for the goods produced—had been present. There was no reason whatever for attempting to invert the process in the case of the contemporary under-developed countries. It was necessary to overcome the lack of understanding or goodwill which had so far prevented an attack on the roots of the problem, and to provide the under-developed countries with the conditions which would make it possible for them to begin their own industrialization.

3. To do so, it was necessary to return to the principles of equitable treatment and international co-

operation. Instead of requiring that all countries should contribute equally to the liberalization and expansion of world trade, it must be recognized that in the case of the under-developed countries equitable treatment must mean preferential treatment, and that it was the responsibility of the developed States to make a greater contribution than the less developed. A reorientation of economic policy along those lines would not only bring that policy into greater conformity with the Charter but increase the prospects of achieving the desired goal and improving the lot of the common man throughout the world. It should be borne in mind, moreover, that protectionist tariffs in the under-developed countries did not limit world trade, since the total volume of imports of those countries was determined by their limited foreign exchange; world trade was restricted by the customs barriers in the developed countries, since the import ceilings of those countries were determined only by the domestic market, in other words, by price, and the duties imposed on imports consequently had a direct effect on their volume.

4. The present proliferation of free trade areas and common markets was an attempt to meet the need for markets, and would have been unnecessary if the developed countries had been prepared to grant the under-developed countries equitable commercial treatment. The Latin American countries had provided an example in that respect in the free-trade area created by the Treaty of Montevideo, establishing a Free-Trade Area and instituting the Latin American Free-Trade Association, under which Bolivia and Paraguay were granted preferential treatment, based on equity, because it was recognized that they were even less developed than the other countries adhering to that Treaty. It was to be hoped that that example would be followed.

5. Mr. KHANAL (Nepal) said that the central fact in the world economic situation was that the gap between the richer and the poorer nations continued to grow and that the various bilateral and multilateral assistance programmes, while immensely useful to developing economies, had proved inadequate to arrest the trend to any appreciable extent. Economic progress in the under-developed areas meant industrialization, which was essential in a densely-populated continent like Asia. The inadequacy of the present slow rate of economic progress was not only proved by statistics, but was also reflected in political stresses and strains and wide-spread uncertainty and insecurity in many under-developed countries.

6. Nepal had given high priority to technical training, geological surveys, cement production, power and transport, to provide a basis for the transition from a subsistence to a diversified economy. The emphasis on industrialization, however, had created an almost unlimited demand for capital and technical skill, both of which were at present available only on a very limited scale. The United Nations was in an excellent position to assess the world economic situation as a whole, and could therefore channel the limited resources available to the mutual advantage of the donor and recipient countries by promoting a more balanced development of the world economy. His delegation believed that the United Nations should be called upon to play an increasing part in the field, in concert with other international and bilateral assistance programmes. Nepal had therefore welcomed the United

Nations technical assistance programmes, the Special Fund and the OPEX programmes and continued to advocate the establishment of a United Nations capital development fund, to supplement the work of existing organizations such as IBRD and the International Development Association. His Government had availed itself to the full of existing facilities and had greatly benefited by the Colombo Plan and bilateral assistance programmes.

7. In view of the present economic backwardness of most under-developed countries, there was no immediate likelihood of separate development bringing national economies into conflict with one another, but it was easy to foresee a time when economic competition between them could lead to friction. Economic development on a regional basis, on the other hand, could result in more rapid progress and more rational exploitation of natural resources. Despite the efforts of the regional economic commissions in that direction, however, national development plans had so far been mutually exclusive. That aspect of the problem would of course acquire new significance if world disarmament were to release capital and technical skills for the development of under-developed countries. In that connexion, it was gratifying that in response to resolution 1428 (XIV), which had been adopted by the General Assembly on the initiative of the Committee at the previous session, the Economic and Social Council had decided to undertake a study of long-term economic projections.

8. Referring to Mr. de Seynes's statement (646th meeting) that the industrial countries could contribute to the economic development of under-developed countries by relaxing their trade policies, he announced that, under a recent treaty with his country, India had already taken such a step to accommodate Nepal's economic interests. His delegation believed that application of the principle embodied in that treaty to relations between the developed and the developing countries could lead to an improvement in the world economic situation.

9. Turning to the question of land reform, he explained that the subsistence agriculture carried on in his country limited capital formation and impeded diversification of the economy. The present system of land tenure, which offered no incentive to increase production, was to be gradually replaced by one under which the land would be owned by those who cultivated it, with a limitation on the size of holdings.

10. Mr. IRWIN (Canada) expressed the hope that international political difficulties would not prevent the United Nations from promoting the economic progress of less developed countries. As the Prime Minister of the United Kingdom had told the General Assembly (788th plenary meeting), the whole world must grow and expand together; nations could not live or succeed in isolation. His country had always supported measures designed to establish economic interdependence on a world-wide scale, and would continue to do so. Urgent consideration should be given to the problems of the newly independent countries, particularly those in Africa. Canada had already indicated its willingness to contribute to the Special Commonwealth African Assistance Plan and had also increased its 1961 contributions to the United Nations Special Fund and the Expanded Programme. His delegation took a sympathetic attitude towards the Secretary-General's proposal for increased budget appropriations for special

assistance programmes made in his report to the Economic and Social Council on the opportunities for international co-operation on behalf of newly independent countries (E/3387 and Add.1).<sup>1/</sup>

11. As a trading nation largely dependent on the world market prices of a number of basic commodities, Canada was in a comparable position to that of the less-developed countries, and therefore recognized that the success of their development programmes depended on the expansion and stability of their external trade. The Commission on International Commodity Trade, of which his country was a member, and the Interim Co-ordinating Committee for International Commodity Arrangements were playing a useful part in the discussion of commodity problems. Canada believed that those problems should be approached commodity by commodity and for that reason participated in the agreements on sugar, tin and wheat and in the International Cotton Advisory Committee. It had also taken part in various commodity study groups. Canada was also a Contracting Party to GATT, which had already succeeded in eliminating or reducing certain import restrictions affecting the less-developed countries and was undertaking a study of national agricultural policies.

12. His country welcomed the enlarged area which had been opened to multilateral trade agreements. It was by no means opposed to all types of bilateral agreements, and had negotiated such arrangements with a number of countries, including the USSR. It did oppose narrow, restrictive agreements which presented a closed front to the rest of the trading world and had supported GATT's efforts to break down trade barriers erected in the past by such agreements. Although he recognized the Committee's prerogative to examine trade and commodity problems, he believed that detailed consideration of those problems and practical solutions to them should be left to GATT, the Commission on International Commodity Trade and other international organizations with a recognized competence in those fields.

13. With regard to the question of economic aid, his delegation firmly believed that, to be genuinely effective, any assistance programme must be freely agreed upon by the recipient and the donor, each having an equal voice, and that projects should originate at the specific request of the potential recipient. Urgent needs being very many and varied, flexibility of response was necessary as well as adaptability in the matter of programmes. Canada would continue to participate to the full in multilateral and bilateral aid programmes. Both types of programme should continue to be available, since they were welcome to recipient countries, provided that they were freely offered and freely accepted. Every means at the disposal of the developed countries—national and international, public and private—should be mobilized for that purpose and applied flexibly, but without duplication. His delegation would again emphasize the urgent need for close co-ordination of the various assistance programmes, within the framework of national development plans. He hoped that such co-ordination, coupled with some division of functions between programmes, as in the case of the Expanded Programme and the Special Fund, would continue and develop.

<sup>1/</sup> Official Records of the Economic and Social Council, Thirteenth Session, Annexes, agenda items 2 and 4.

14. In that connexion, his delegation wished to express its appreciation of the efficiency and impartiality of the Secretariat, which had succeeded, in the face of very grave difficulties, in maintaining a reasoned balance in the discharge of the economic responsibilities assigned to the Secretary-General under the Charter and resolutions of the General Assembly and the Economic and Social Council. He believed, moreover, that the Committee's debates on economic development had stimulated the recent substantial increase in the international financial resources made available for such development. The United Nations emphasis on the value of economic assistance had also helped to increase the volume of bilateral economic assistance. As in the past, his delegation would seek to extend United Nations activities in the economic field and, at a later stage in the Committee's work, would co-sponsor a resolution providing for the continuation of the OPEX programme, which had amply demonstrated its worth.

15. The valuable report of the Secretary-General on international economic assistance to the less developed countries (E/3395 and Add.1) correctly described the flow of public capital to under-developed countries as not only rapid, but remarkably steady. Only if the flow of international economic assistance was relatively stable could the less-developed countries prepare plans for its most effective use. Sudden shifts in assistance programmes for political or other reasons could cause great harm. Canada's assistance programmes were financed on a three-year or five-year basis, and his delegation hoped that other donor countries would find it possible to follow a similar pattern.

16. In conclusion, he said that the Committee could contribute usefully to the common objective of accelerating the balanced economic growth of the less developed countries by ensuring the efficient use of the resources now available for that purpose.

17. Mr. EL-MUTAWALLI (Iraq) said that his delegation endorsed the view that the Economic and Social Council should be substantially enlarged in order to reflect the steady growth of the United Nations. Pending such an enlargement, the present Council seats should be more equitably distributed to allow for the fact that most of the newer Members of the United Nations had come from Africa and Asia. His delegation also considered that the Council tried to do too much on the technical level. Given the limited resources available to the Organization and the ever-increasing demands upon them, the Council should apply a stricter system of priorities in considering the recommendations of subsidiary organs and devote more of its efforts to high-level exchanges of views and to the task of co-ordination.

18. His delegation attached considerable importance to the holding of Council meetings at the ministerial level and regretted that the first experiment along those lines had been hampered by the lack of a definite agenda, the early departure of the Secretary-General and the overshadowing events in the Congo. Such meetings should be continued in the future with adequate preparation and the additional participation of Member States not represented in the Council. The Council should be more representative, more vigorous, and a more effective instrument for directing collective action in the economic and social fields.

19. In his speech to the General Assembly (890th plenary meeting), his country's Foreign Minister had

stated that without free and equal economic association between the newly independent countries and the former colonial Powers, political independence would be fictitious and the new States would remain within the grip of the colonial régime. The struggle for economic and social development was still fraught with difficulties. In spite of the growing international awareness of the problem it remained one of the great challenges of modern times. More than two-thirds of mankind were suffering from disease, ignorance and hunger. The need to help them achieve their desire for a better life was urgent. The tremendous and constantly widening gap between the less developed countries and the highly advanced nations must be narrowed.

20. Economic development was not an end in itself but a means to improve the standard of living of mankind through basic changes in the economic structure of the developing countries. As such, it was recognized as a fundamental objective of the world community. However, long-term growth should not be sacrificed to short-term stability or vice versa. The two goals were equally important and in case of conflict, compromise was necessary. Economic progress could not be imported; it must be generated from within. Nevertheless, the supply of investment capital and the availability of technical knowledge were important factors. Technical and managerial skills were in short supply in all the under-developed countries, a situation that should be remedied by the extension of United Nations programmes of technical assistance with greater emphasis on pre-investment activities.

21. From the beginning Iraq had actively participated in the United Nations technical assistance programmes and had welcomed the establishment of the Special Fund. It hoped that the goal of \$100 million for the Expanded Programme and the Special Fund would soon be realized. The crucial factor in the economic development of the developing countries was scarcity of capital. As his country's Foreign Minister had stressed, Iraq had consistently advocated the channelling of capital to the less developed countries through the United Nations, on the grounds that such assistance did not arouse the political and psychological sensitivities of the recipient countries and was more closely related to their actual needs. Private foreign capital was often associated with economic exploitation and political intervention. It also tended to concentrate in fields where quick and large profits were assured.

22. Although IBRD had contributed substantially to the financing of economic progress, the scope of its activities had been restricted by its limited capital (even after the recent increase), its orthodox banking traditions, its weighted system of voting and its restricted membership. The International Finance Corporation and the recently established International Development Association suffered from similar shortcomings. The United Nations was not subject to those limitations, because its membership was becoming increasingly universal and each Member had equal voting power.

23. The recent increase in arms expenditure had not been accompanied by a reduction in the outflow of capital to the less developed areas. On the contrary, the volume of such assistance outside the United Nations had been steadily growing. For example, the United Kingdom Minister of State for Foreign Affairs had told the Committee that the amount of aid given

by his country had doubled since 1957/1958. The only logical conclusion to be drawn was that the advanced countries were reluctant to channel their financial assistance through the United Nations. It must be reiterated that a United Nations capital development fund was an urgent necessity and that its establishment should not await the solution of the disarmament problem. Undoubtedly, enormous funds would be released by disarmament but the under-developed nations were asking for millions of dollars not billions.

24. The establishment of discriminatory regional groupings such as the European Economic Community and the European Free Trade Association might limit the economic advancement of the under-developed countries. As was evident from paragraph 112 of the Economic and Social Council's report (A/4415), the Council considered that such arrangements should not prejudice the interests of third countries and should complement and strengthen the functions of the United Nations and its specialized agencies.

25. The less developed countries were facing not only the short-term problems of commodity price instability but also the long-term structural problem of the deterioration in their terms of trade. The violent fluctuations in their export earnings were due primarily to variability of demand rather than of supply. Long-term remedies could be found in the diversification of their production and the creditor countries could also make a valuable contribution by stabilizing their economies, reducing tariffs and promoting multi-lateral trade and finance. Preventive measures should be taken before instability occurred. However, so far little progress had been made in that respect and the time had come for the United Nations and the specialized agencies to make a fresh effort to help curb excessive fluctuations and to bring order into the international market.

26. Financial and technical aid, however important, could not solve the problems of the under-developed countries. The advanced countries should abandon their discriminatory and restrictive policies, which could nullify almost all the external assistance received by the under-developed countries. His delegation had noted with disappointment the efforts being made to keep the prices of raw materials down to their lowest level. For example, the recent arbitrary reduction in oil prices constituted a serious danger to the development plans of all the less developed oil-exporting countries.

27. His Government had taken the initiative of inviting the major oil-exporting countries of the Middle East, as well as Venezuela, to a conference in Baghdad for the purpose of co-ordinating their policies and protecting their economies. The conference had been highly successful and had adopted a number of important resolutions, the text of which his delegation had circulated for the information of the Committee. The conference's main achievement had been the establishment of a permanent Organization of Petroleum Exporting Countries, whose major objectives were a stable revenue for the producing countries, adequate supplies for the consuming countries, and a reasonable profit for those who had invested capital in the oil industry.

28. Although Iraq could consider itself more fortunate than most under-developed countries because of its rich soil, its lack of population pressure and its

abundance of oil, it was faced with enormous problems of economic development because for the first time in nearly 700 years it was now master of its own destiny. The road before Iraq was long and hard but the stagnation and despair of the past had given way to hope and confidence in the future. The machinery of State had been overhauled and a Planning Ministry and an Economic Planning Board had been set up. In 1959, a provisional economic plan costing more than \$1,098 million had been launched. Since the revolution of July 1958 national budgets had reached unprecedented levels and the tax system had been modernized. Loans had been negotiated with the Soviet Union and Czechoslovakia for the purposes of economic development. According to an FAO report published in May 1959, the national income of 1958 would be doubled by 1965.

29. In most of the less developed countries, agriculture was the basis of the economy. The execution of radical and comprehensive land reform programmes

in those countries was therefore a matter of high priority. Iraq was making good progress in that respect. Under the Agrarian Reform Law of 30 September 1958 its entire system of land tenure had been altered. Limits had been placed on land ownership and the land taken over had been redistributed to landless farmers. Such a programme could not be carried out overnight but it had to be pursued vigorously if the bulk of the people were to be rescued from the economic and social misery of the past. In the long run, land reform in Iraq would fundamentally alter the outlook for economic development, opening up new vistas and doing away with the semi-feudal conditions which had prevailed before the revolution. Land reform was one of the most important facets of economic development and specific action should be taken within the United Nations to facilitate the monumental work which was being carried out in many of the underdeveloped countries in that important field.

The meeting rose at 12.40 p.m.